

# HISTORICAL ANALYSIS MASTERCLASS

Class Textbook

John Boik & TraderLion



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# HISTORICAL MARKET ANALYSIS MASTERCLASS

John Boik

**“Study The Past So You Can Profit In The Future”**

## Learning from the Lessons of History and the Greatest Traders

*“You can always learn from history, because human nature doesn’t change and there’s really not as much that’s new in the market as most people believe. Cup-with-handle patterns have appeared and reappeared in every cycle throughout market history. In every stock market and economic cycle through the entire twentieth century, the big funds and professional pools went after the best growth stocks at the time, ran them up, and eventually pushed PEs to levels no one could justify. It’s just history repeating itself over and over again, human nature continually on parade.”*

— WILLIAM J. O’NEIL (2004)

## How Legendary Traders Made Millions

*“Most losses in the stock market can be traced to the average speculator’s persistent disregard of the lessons of the past ...”*

— JESSE LIVERMORE (1923)

*“...the market cycle of 1998–2002 was much like all those that preceded it. The losses suffered may have been extraordinary, but the mistakes that led to them were not. They were the same mistakes investors have made in every market cycle.”*

— WILLIAM J. O’NEIL (2003)

*“...recurring patterns occur over and over because stocks are driven by humans and human nature never changes.”*

— JESSE LIVERMORE (1940)

*“The first step in learning to pick stock market winners is for you to examine leading winners of the past to learn all the characteristics of the most successful stocks.”*

— WILLIAM J. O’NEIL (1988)



## **Webinar 1 - Introduction, Overview, Legendary Traders Part 1**

### **Introduction**

Why study history & what lessons to learn  
Course Overview  
Document Textbook  
Slides  
Workbooks

### **Legendary Trader Profiles**

Richard D. Wyckoff  
Bernard Baruch  
Jesse Livermore

## **Webinar 2 - Legendary Traders Part 2**

Gerald M. Loeb  
Jack Dreyfus  
Nicolas Darvas  
William J. O'Neil

### **Quotes From Other Legendary Traders**

Warren Buffett, Paul Tudor Jones, Stanley Druckenmiller, Peter Lynch, Stan Weinstein, Mark Douglas

## **Webinar 3 - Modern Legendary Traders & Commonalities**

### **Modern Day Legendary Traders**

David Ryan  
Mark Minervini  
Jim Roppel

### **Current Top Traders**

Eve Boboch  
Oliver Kell  
Matt Caruso  
Ryan Pierpont

### **Common Strategies of Legendary and Top Traders**



## Webinar 4 - Monster Stock Templates & New Highs/New Lows

### Monster Stock Templates

Basing Set Ups  
Breakouts  
Run Ups  
Tops  
Downtrends

### New Highs/New Lows

## Webinar 5 - Historic Cycles & Monster Stocks 1900 - 1940s

09/1900 - 06/1901 48% in 9 months

### **Richmond & Danville 1885**

### **Northern Pacific 1900**

03/1903 - 11/1903 -23% in 8 months

01/1904 - 04/1905 99% in 15 months

02/1907 - 11/1907 -38% in 9 months

03/1908 - 12/1908 47% in 9 months

05/1915 - 01/1916 64% in 8 months

### **Bethlehem Steel 1914**

### **General Motors 1915**

11/1916 - 12/1917 -25% in 13 months

02/1919 - 11/1919 51% in 9 months

06/1924 - 02/1926 91% in 19 months

### **IBM 1926**

11/1927 - 11/1928 67% in 12 months

### **Wright Aeronautical 1927**

### **RCA 1927**

06/1929 - 06/1929 30% in 3 months

09/1929 - 11/1929 -49% in 3 months

04/1930 - 06/1932 -78% in 26 months

03/1933 - 07/1933 122% in 4 months

03/1935 - 03/1937 130% in 24 months

### **American Bank Note 1935**

### **Anaconda 1935**

### **Chrysler 1935**

03/1937 - 03/1938 -45% in 12 months



10/1941 - 05/1942  
05/1942 - 07/1943 58% in 10 months  
12/1944 - 02/1946 40% in 14 months  
05/1946 - 10/1946  
**Gimbel Bros 1944**

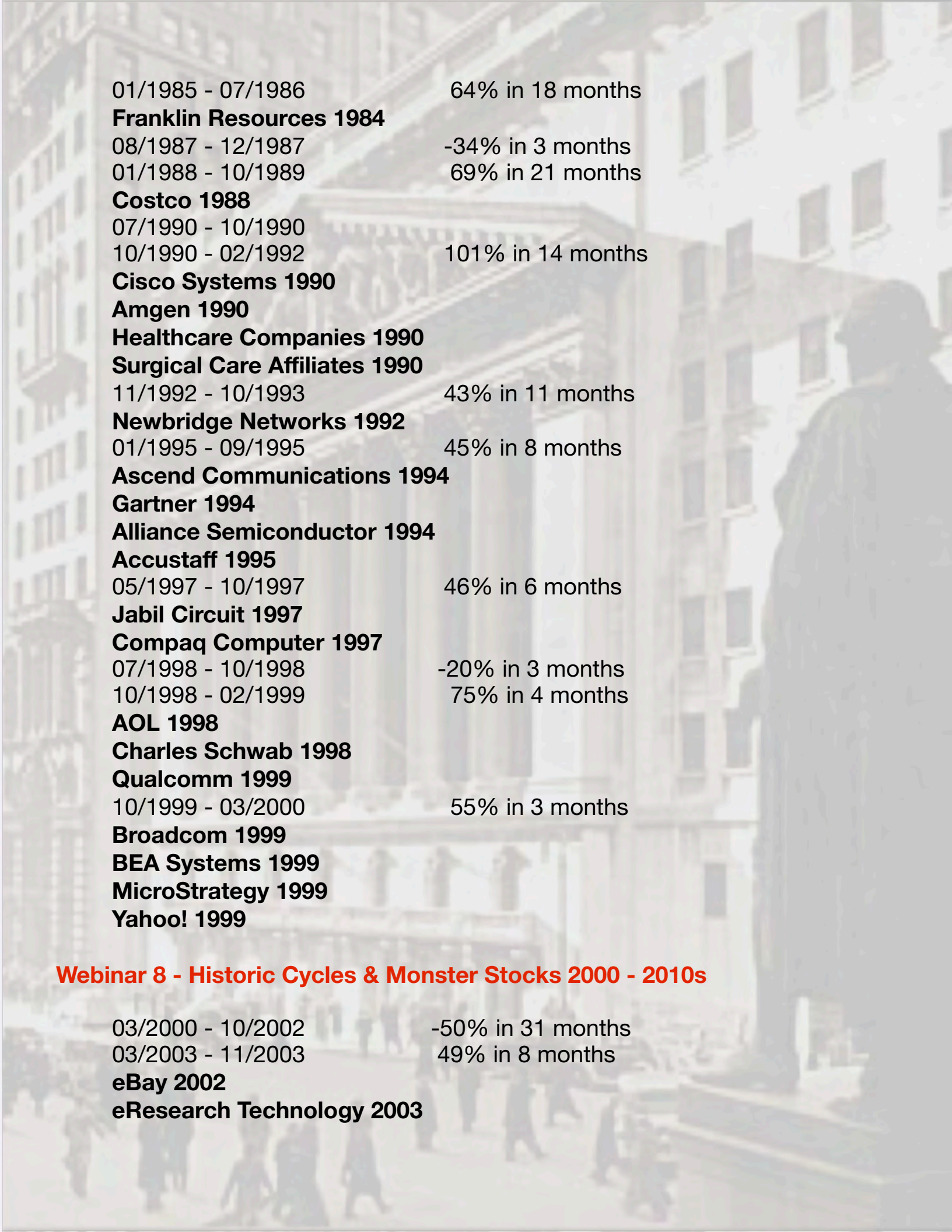
## **Webinar 6 - Historic Cycles & Monster Stocks 1950 - 1970s**

09/1953 - 09/1955 93% in 24 months  
09/1956 - 02/1958  
03/1958 - 08/1959 62% in 15 months  
**Thiokol Chemical 1957**  
**Lorillard 1958**  
**Universal Controls 1958**  
**Texas Instruments 1958**  
**Zenith Radio 1958**  
**Fairchild Camera 1959**  
12/1961 - 06/1962 -29% in 6 months  
10/1962 - 05/1965 72% in 30 months  
**Chrysler 1962**  
**Syntex 1963**  
**Rollins 1964**  
02/1966 - 10/1966 -27% in 8 months  
12/1968 - 05/1970  
05/1970 - 04/1971 53% in 11 months  
**Levitz Furniture 1970**  
**Sambos Restaurants 1971**  
01/1973 - 10/1974 -45% in 21 months  
12/1974 - 09/1976 80% in 20 months  
**Houston Oil 1976**

## **Webinar 7 - Historic Cycles & Monster Stocks 1980 - 1990s**

03/1980 - 05/1981 80% in 14 months  
**Walmart Stores 1980**  
06/1981 - 08/1982  
08/1982 - 07/1983 101% in 11 months  
**Home Depot 1982**  
**Price Company 1982**





01/1985 - 07/1986	64% in 18 months
<b>Franklin Resources 1984</b>	
08/1987 - 12/1987	-34% in 3 months
01/1988 - 10/1989	69% in 21 months
<b>Costco 1988</b>	
07/1990 - 10/1990	
10/1990 - 02/1992	101% in 14 months
<b>Cisco Systems 1990</b>	
<b>Amgen 1990</b>	
<b>Healthcare Companies 1990</b>	
<b>Surgical Care Affiliates 1990</b>	
11/1992 - 10/1993	43% in 11 months
<b>Newbridge Networks 1992</b>	
01/1995 - 09/1995	45% in 8 months
<b>Ascend Communications 1994</b>	
<b>Gartner 1994</b>	
<b>Alliance Semiconductor 1994</b>	
<b>Accustaff 1995</b>	
05/1997 - 10/1997	46% in 6 months
<b>Jabil Circuit 1997</b>	
<b>Compaq Computer 1997</b>	
07/1998 - 10/1998	-20% in 3 months
10/1998 - 02/1999	75% in 4 months
<b>AOL 1998</b>	
<b>Charles Schwab 1998</b>	
<b>Qualcomm 1999</b>	
10/1999 - 03/2000	55% in 3 months
<b>Broadcom 1999</b>	
<b>BEA Systems 1999</b>	
<b>MicroStrategy 1999</b>	
<b>Yahoo! 1999</b>	

## **Webinar 8 - Historic Cycles & Monster Stocks 2000 - 2010s**

03/2000 - 10/2002	-50% in 31 months
03/2003 - 11/2003	49% in 8 months
<b>eBay 2002</b>	
<b>eResearch Technology 2003</b>	

**Gen-Probe 2003**

**SanDisk 2003**

**Netflix 2003**

**JetBlue 2003**

**Netease 2003**

**Sina Corp 2003**

**TASER 2003**

**2004 - 2007 MRKT**

**Apple 2004**

**Southwestern Energy 2004**

**Hansen Natural 2004**

**Google 2004**

**Titanium Metals 2005**

**Research In Motion 2006**

**Crocs 2006**

**10/2007 - 03/2009**

**-57% in 17 months**

**03/2009 - 04/2010**

**95% in 11 months**

**Fuji International 2009**

**Netflix 2009**

**Apple 2009**

**Chipotle Mexican Grill 2010**

**Baidu 2010**

**01/2013 - 03/2014**

**42% in 14 months**

**10/2016 - 12/2017**

**43% in 14 months**

**Square 2017**

**Arista Networks 2017**

**Nvidia 2017**

**Cognex Corp 2017**

**Universal Display 2017**

**TAL Education 2017**

**New Oriental 2017**

**09/2018 - 12/2018**

**-20% in 3 months**

## **Webinar 9 - Historic Cycles & Monster Stocks 2020 - Present**

**02/2020 - 04/2020**

**-34% in 2 months**

**04/2020 - 02/2021**

**74% in 10 months**

**DocuSign 2020**



**Zoom Video 2020**  
**Peloton 2020**  
**Pinduoduo 2020**  
**Watchlist**  
**Cloudflare 2020**  
**Livongo Health 2020**  
**Watchlist**  
**Datadog 2020**  
**Shopify 2020**  
**Fastly 2020**  
**Roku 2020**  
**Zscaler 2020**  
**The Trade Desk 2020**  
**Nio 2020**

**Tesla 2020**  
**Watchlist**

05/2021 - 11/2021

24% in 6 months

**ZIM Shipping 2021**  
**Devon Energy 2021**  
**Fortinet 2021**  
**BioNTech 2021**  
**Moderna 2021**  
**Zscaler 2021**  
**Tesla 2021**  
**Nvidia 2021**  
**Upstart Holdings 2021**  
11/2021 - 12/2022

-34% in 13 months

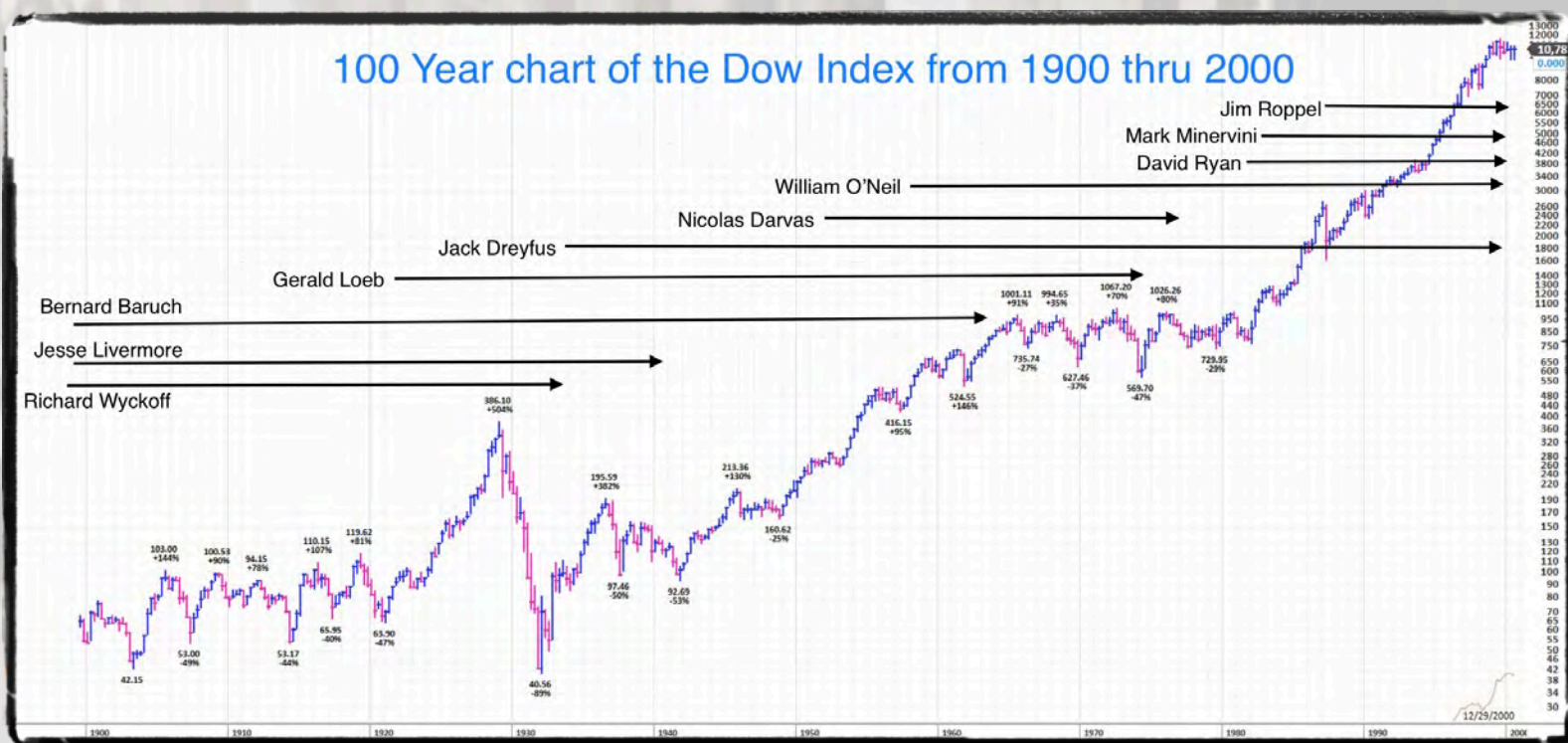
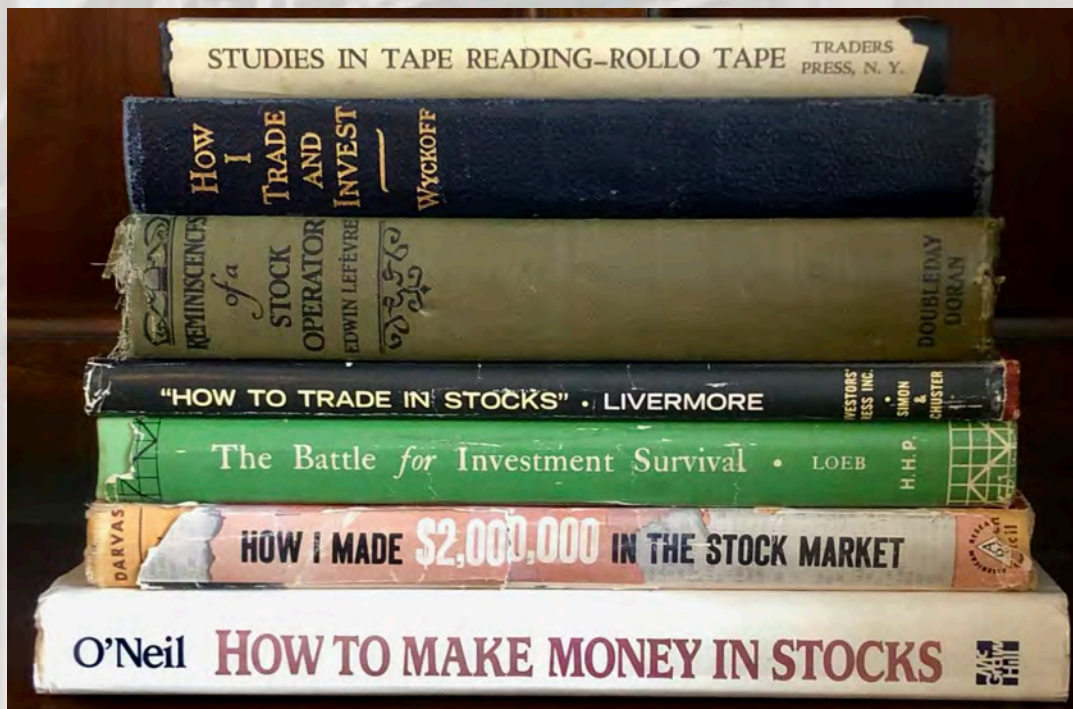
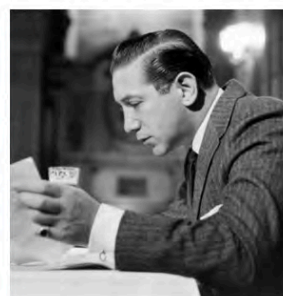
Some Recent Prior Monster Stocks That Topped  
& Then Collapsed

## **Webinar 10 - Putting It All Together, Current Conditions, Summary, & Lessons Learned**

**Summary**  
**Getting Your Mind Right**  
**Final Descriptions**  
**Books**



# Legendary Traders





- Richard D. Wyckoff 11/02/1873 - 03/07/1934 (started in the market in 1888)



- Background

Worked in many brokerage houses throughout his career and then started his own firm - he became an expert tape reader

Started reading the *Financial Chronicle*, just like Baruch, to educate himself. The *Wall Street Journal's* first edition was July 8, 1889 - was a business paper

Studied the bucket shops to observe the human reactions to it as opposed to trading in them

Created *The Ticker* magazine in 1907 to educate the public (for the first time) on how the market really worked

Created *The Trend Letter* in 1911 - a separate weekly advice - ceased it in 1919 due to its popularity with brokers having access to it without payment

Changed the name of *The Ticker* to *The Magazine of Wall Street* in 1912

Was a constant student of the market and studied the cyclical nature of market cycles - one of the first to do so along with Bernard Baruch

Goal was to be a constant student and relay his studies to the public through his publications

Studied the great traders of his day that included Jesse Livermore (who he interviewed several times), James R. Keene, E.H. Harriman, the Wasserman Brothers (worked with them briefly), and J.P. Morgan - was the first to discover common strategies among top traders

Created the Composite Operator concept. It states one should regard major market trends from the mindset of one

Started off as a very conservative trader trading in very small amounts (first trade was only one share) in his own account to learn over a series of several years - was more active in managing his client accounts



- Failures

After six years in the market and working for other brokerages he was nearly broke after the market correction of 1893

- Successes

Traded primarily the leaders of his day that included US Steel, Baldwin Locomotive, Union Pacific, Smelters, Pressed Car, Bethlehem Steel, Studebaker, etc.

Called the 1901 top in the market and moved to cash based solely on leading stock and index action - this increased his reputation

Sidestepped the 1903 Rich Man's Panic

Bought US Steel off the market bottom in early 1904 - a big winner for him

Summer of 1904 sent out a letter stating GET BULLISH. Impeccable timing as the market rose 42% and his picks (Reading, Missouri & Texas preferred, Union Pacific, Atchinson, and US Steel) were the leaders

Scored nice profits on many leaders (US Steel, Baldwin Locomotive, Smelters, Union Pacific, and Pressed Car) in 1916 - a few months later with the market falling he shorted all those prior leaders

Shortened up his timeframes in 1917 during a somewhat choppy market. Took four long positions in May and sold within weeks - then shorted them later as the market fell

Did very well in 1925 with the market moving higher and went to a 100% cash position in early 1926 to avoid that market break

- Monster Stock Winners

US Steel, Baldwin Locomotive, Union Pacific, Smelters, Pressed Car

- Strategies

Determine the current trend of the market

Stay out of flat or directionless markets

Have a keen eye to the current supply and demand in the market

Volume action within the market and individual stocks is of vital importance

Cutting losses short is the number one rule - always use a stop-loss

Would trade both sides of the market - long and short - stay flexible

Pyramid your winners to compound your returns

Trade in only a handful of the real leaders - concentration is key

- Quotes

*"The market always tells you what to do. It tells you: Get in. Get out. Move your stop. Close out. Stay neutral. Wait for a better chance. All these things the market is continually impressing upon you, and you must get into the frame*



*of mind where you are in reality taking your orders from the action of the market itself - from the tape"*

*"I have yet to find a man, in or out of Wall Street, who is able to make money in markets continuously or uninterruptly. Like anyone else, I have good and bad periods"*

*"The Tape Reader's profits should develop naturally. He should buy or sell because it is the thing to do – not because he wants to make a profit or fears to make a loss"*

*"The tape is a tyrant"*

*"A miner must understand how dynamite works before he can safely use it"*

*"I noticed a very marked tendency to accept a small profit and stand for a big loss"*

*"Reading all the financial news and evaluating it will avail you nothing. The market may rise on bad news and go down on good news. Then where are you?"*

*"All these movements, small or great, demonstrate the workings of the Law of Supply and Demand. By transferring to the charts portions of what appears on the tape, for study and forecasting purposes, one is more readily enabled to make deductions with accuracy"*

*"While I have made it a practice to limit my risk in most cases, I can trace most of my principle losses to my failure to place stop orders when the trades were made"*

- Published Excerpts

To be clever, alert, and not only quick to act, but able to reverse a position at a moment's notice. One should exhibit no hopes or fears. One must participate without a sign of nerves or mental strain; must look upon profits or losses with equal equanimity. One must develop the kind of intuition that becomes a sixth sense. These traits must evolve over a series of failures over many months and years. The education could be completed only through a long series of transactions, spread over long periods, which would perfect the operating personality to carry one through adverse times without discouragement, until one's expert-ness and self-confidence match that of the surgeon who performs many operations, losing some patients but never losing his nerve. Such a man, with such character and experience should be a success in the market.

By proper mental equipment we do not mean the mere ability to take a loss, define the trend, or to execute some other move characteristic of the professional trader. We refer to the active or dormant qualities in his make-up; viz., the power to drill himself into the right mental attitude; to stifle his emotions, such as fear, anxiety, elation, recklessness; to train his mind into obedience so that it recognizes but one master—the tape. These qualities are as vital as natural ability, or what is called the sixth sense in trading.

Some people are born musicians, others seemingly void of musical taste, develop themselves until they become virtuosos. It is the I WILL in a man which



makes him mediocre or pre-eminent—in Wall Street parlance, “a dub” or “a big trader.

- Publications

*Studies In Tape Reading* published in 1910 under the pseudonym of Rollo Tape

*How I Trade And Invest In Stocks and Bonds* published in 1922

*Wall Street Ventures and Adventures Through Forty Years* published in 1930

*Jesse Livermore's Methods of Trading in Stocks* published in booklet form by Windsor Books in 1984 from interviews by Wyckoff from *The Magazine Of Wall Street* in the early 1920s

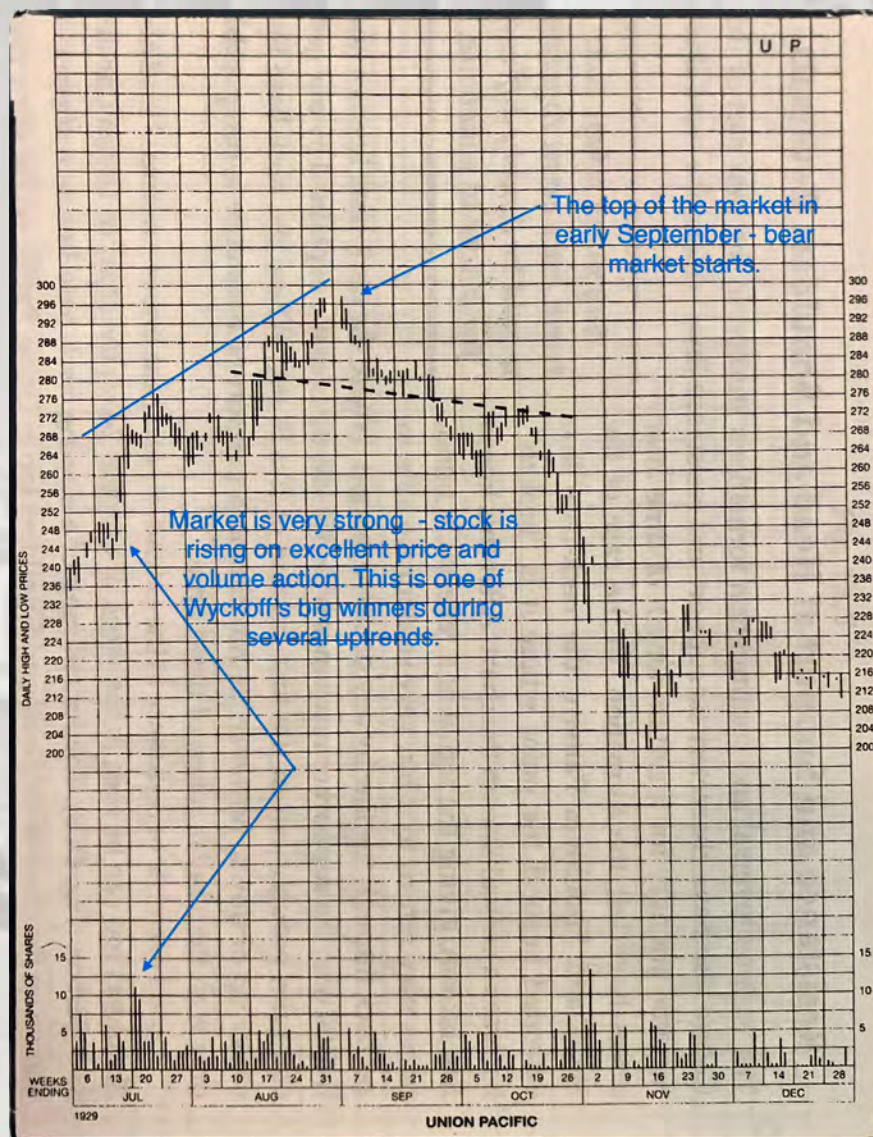
*Studies In Stock Speculation Volume 1 & 2* published in 1925 & 1926

*Stock Market Technique #1 & #2* published in 1933 & 1934

Wyckoff Stock Market Institute

Wyckoff Method

Wyckoff Analytics & Wyckoff Charting





- Bernard Baruch 08/19/1870 - 06/20/1965 (started in the market in 1891)



- Background
  - Worked as an office boy at a brokerage firm at 21 making \$5 a week
  - Tried his hand at the bucket shops like Livermore but Baruch didn't like the quick action of them
  - Became a broker and eventually a partner at A.A. Housman & Co. in New York City
  - Began studying by reading the *Financial Chronicle* and doing research on the companies he traded in - nicknamed Dr. Facts
  - He learned to trade both sides of the market as major corrections were more commonplace during his time
  - Became a multi-millionaire by 33 and quit the brokerage firm to trade on his own
  - Went into public service duties when World War I broke out - became chairman of the War Industries Board as an advisor to President Woodrow Wilson
  - Became more involved in public duty positions that also included appointed positions within four presidential administrations and also became an advisor to six different presidents
  - Continued to be active in the market in his early 90s
  - He knew Jesse Livermore and they discussed market operations - also got to know Gerald Loeb who learned strategies from him
  - Gave generously due to his success to universities and medical institutions in honor of his father's medical career
- Failures
  - Lost money in the market for the first six years he was active
  - Took a tip from an outsider and lost all his money on it along with \$8K he convinced his father to put in the stock as well
  - Those early losing years were caused by having no rules and no discipline
  - He lost all of a \$6K bonus he received from his brokerage firm in his first year



After his first success (below) he lost nearly everything by taking another tip when American Spirits that dropped 40% in just a few weeks  
Bought into coffee heavily in 1905 on a recommendation and held on as it continued to fall. When he finally sold he lost \$700K and was physically ill from the transaction  
In the strong market of 1927 he started shorting GM because he thought it had risen to much. He kept shorting it even as it kept rising against him. When he finally realized he was wrong he covered the positions for a \$405K loss

- Successes

Bought American Sugar Refining off the market turn in 1897 and rode it up, pyramided his position, and made a \$60K profit for his first big winner  
He purchased a seat on the Exchange with the winnings. He bought another seat in 1899 with profits from the firm he worked for  
He bought Brooklyn Rapid Transit Co (BRT) in 1899 after his big loss in American Spirits and made another \$60k profit before that stock topped and then declined nearly 50% - he finally learned his lesson of not taking tips  
Shorted Amalgamated Copper near the top of the 1901 market and made his biggest profit up to that point (\$700K)  
Bought Louisville & Nashville Railroad with a group of investors in late 1901 and rode it up during a strong run in 1902 - sold out for nearly \$1 million in profits  
Bought Rubber Goods Manufacturing off the bottom of the 1903 market and become an eventual owner of Continental Rubber Company with other investors - sold out his positions for a substantial profit  
Purchased the Soo Line in early 1904 during a strong market - nearly doubled his money before he sold as it broke hard  
Sidestepped the brutal 1907 bear market  
Records show he had profits of \$1.4 million with losses of \$415K in the strong market of 1924  
Showed a net profit of \$457K in a somewhat choppy market in 1926  
Sidestepped the 1929 crash as results for the year showed a profit of \$615K but he did take some larger hits in 1930 which prompted him to write a personal memo to himself late that year - much of it is shown below  
Bought into Chrysler when the market bottomed and turned around in October 1962. Chrysler formed a near perfect base and shot out of it when the market confirmed a new uptrend and Loeb and O'Neil also bought it on the breakout  
At 91 he warned of the market getting overextended in mid 1961. This he learned from his prior experience and analyzing topping markets from history. This occurred just before the market broke hard and entered the ensuing bear market



- Monster Stock Winners

American Sugar, Chrysler, American Smelting, Northern Ore, Soo Line, Rubber Goods, US Steel

- Strategies

Have a strict loss cutting policy in place

Sell into strength - never try to find the exact top

Learn as much as you can about the company's and stocks you invest and trade in

Do a hard self-examination analysis of each major undertaking - especially the ones that didn't work out

One of the first to notice the forecasting ability of the market (to turn down before a recession began and turn up before they officially ended)

Don't over diversify - better to own only a few that can be watched closely

Always keep a cash reserve - never be in the market with all your funds

Be flexible so one is able to react quickly to changing conditions

- Quotes

*"I made my money by selling too soon"*

*"Don't try to buy at the bottom and sell at the top. It can't be done except by liars"*

*"I'll give you the bottom 10% and the top 10% of any move if I get to keep the middle 80%"*

*"No speculator can be right all the time. In fact, if a speculator is correct half the time, he is hitting a good average. Even being right three or four times out of ten should yield a person a fortune if he has the sense to cut his losses on the ventures where he has been wrong"*

*"Become more humble as the market goes your way"*

*"Never pay the slightest attention to what a company president ever says about his stock"*

- Lessons Learned From History

The 1924 market upturn off the bottom looked very much like the 1897 market upturn to him. He remembered that profitable time and used that knowledge and experience to reap new returns. He also saw the parallel in the 1904 market to that same market in 1897. Therefore, he used his first initial success in 1897 to profit two more times in market cycles that repeated a similar pattern. He also saw a similar situation of a market top in mid 1961 (at age 91) to prior ones he was involved in when other major market tops occurred, and he warned about it at that time.



- Published Excerpts

My years in Wall Street and business, in fact, became one long course of education in human nature. Nearly always the problem that arose in the Stock Exchange or in other business dealings was how to disentangle the impersonal facts of a situation from the elements of human psychology which came with these facts.

That would have meant pocketing a loss, but in the stock market the first loss is usually the smallest. One of the worst mistakes anyone can make is to hold on blindly and refuse to admit that his judgment has been wrong.

The stock market, in short, is the thermometer and not the fever. If the country is suffering from the effects of inflation or from weakening of the government's credit, the effect will show up in the stock market. But the causes of the trouble will not lie in the stock market itself.

- Publications

*My Own Story* published in 1957

*Bernard M. Baruch: The Adventures of a Wall Street Legend* written by James Grant published in 1997

Wrote the Foreword to the 1932 printing of *Extraordinary Popular Delusions and The Madness of Crowds* - one of his favorite books

#### PERSONAL EQUIPMENT

**SELF-RELIANCE:** Do your own thinking. Don't let your emotions enter into it. Keep out of any environment that may affect your acting on your reason.

**JUDGMENT:** Consider all the facts—meditate on them. Don't let what you *want* to happen influence your judgment.

**COURAGE:** Don't overestimate the courage you will have if things go against you.

**ALERTNESS:** To discover any new facts that change the situation; or which may *affect public opinion*.

**PRUDENCE:** Be pliable or you won't be prudent. *Become more humble as the market goes your way.* It is not prudent to buy when you think the bottom has been reached. It is better to wait and see, and buy too late. It is not prudent to wait for the top of the market to sell—it is better to sell “too soon.” (Never buy so that your margin will be less than 85, or hold if it drops below 80. In a particularly “clear sky” situation with[out] “buts” or “ifs,” one can lower these margins to 80–75%.)

**PLIABILITY:** Consider and reconsider the facts, and your opinions. Stubbornness as to opinions—“cockiness”—must be entirely eliminated. A determination to make a certain amount within a certain time absolutely destroys pliability. When you decide, act promptly—don't wait to see what the market will do.

#### PSYCHOLOGY

Nearly all men are controlled by their emotions: they become alternately over optimistic and over pessimistic. After you have your facts and opinions, wait for the current. Have an opinion on what the market should do, but don't decide what the market will do. The more the public becomes stock minded the greater it's [sic] power. Don't try to go against the mob on the one hand, and don't go with it in it's [sic] excesses. Don't sell short if it is bullish, but don't stay long if there is a chance that it may turn and rend you, and conversely. In a panic the best stocks may not be salable at any reasonable price. Be alert for anything which the public will greet with enthusiasm or fear. When the market is high beware of thinking of things that will make it go higher; think of adverse possibilities, and remember history; and conversely. Watch for the main currents, but be fearful of too much company.

“Stop losses and let profits run.”

In general run quickly. If you fail to do so hang on, reducing commitments. Always reduce commitments if doubtful. While you should act promptly when you make up your mind, irrespective of market action, nevertheless, you must at times consider the action of the market, in making your plans.

In comparing any situation with a previous one be sure you have the facts of both, so make allowances in psychology. Over action is always followed by over reaction.

The Unforeseen: —Always make allowances for chance. Keep a financial and mental and physical reserve.



- Jesse Livermore 07/26/1877 - 11/29/1940 (started in the market in 1891)



- Background

Ran away from a poor family home at 14 and went to Boston as a chalkboard boy for Paine Webber making \$6 a week  
Memorized price changes and jotted them down in a notebook - started to see recurring patterns form in stocks from his expertise as a tape reader  
Made his first trade with a friend (\$5) at 15 in the bucket shops after reviewing the price patterns in his notebook and made a profit of \$3.12  
Played the quick action of the bucket shops and became so good he would be banned from many of them by the time he was 20  
Moved his trading to the Exchange and adapted rules to fit the more organized structure of The Big Board that included understanding the time element involved  
Went bankrupt twice before he turned himself around for his biggest payday  
Became one of the richest people in the world when he shorted the market in late 1929 during The Great Crash  
Was interviewed by Richard Wyckoff several times as they became contemporaries along with Bernard Baruch as well  
Has been labeled as the greatest stock trader ever by several over the years - probably the best boom trader but also busted large several times  
His strategies of probing buys, buying through resistance points, pyramiding, etc have been mentioned by many of the best traders that followed him as having a huge influence on their successes  
Due to depression from personal and financial issues he committed suicide in 1940 shortly after his book *How To Trade In Stocks* was released



- Failures

Lost his gain in Northern Pacific (below) by shorting two stocks during a strong market

Following the fortune he made in 1906/1907 he became involved in the cotton market - took a tip from an “expert” and lost all of his prior profits

Traded in desperation to get back his losses but lost even more in a flat market - went bankrupt and at one point and owed creditors more than \$1 million

Due to many personal issues (divorces, lawsuits, family issues) he did not do well in the early to mid 1930s and he lost the fortune he made - filed for bankruptcy once more in 1934

- Successes

Bought Northern Pacific during the strong bull market of 1901 and turned his initial \$10K into \$50K

He saw weakness coming into the market in late 1906 and he shorted many of the leaders that brought that market up. He ended up making big profits during the Rich Man’s Panic bear market. JP Morgan actually sent him a note to stop shorting the market. That time earned Livermore the nickname “The Great Bear of Wall Street.” On 10/24/1907 he made a \$3 million profit when he closed out his short positions - at 31 he was a millionaire.

Bought Bethlehem Steel in 1915 to try and get his stake back - made \$50K on that leader and ended up \$150K by year end with all his trades

Started shorting the market at the end of 1916 as leaders were breaking down - had to testify with Baruch before a committee they didn’t have advance notice of a rumor - Livermore made \$3 million on that market decline - he then paid back all his previous debts

Did very well during the middle to late 1920s during a strong bull market but started to question the rise by late 1928 due to mob psychology

By the summer of 1929 Livermore began probing positions on the short side due to his experience back in 1907 - seeing many similarities. By late fall many stocks were in climax runs. Livermore added heavily to his short positions and made \$100 million when he finally covered his short positions

- Monster Stock Winners

Reading, Northern Pacific, Bethlehem Steel, Union Pacific, Baldwin Locomotive

- Strategies

Understand the general trend of the market. You must be in tune with what the market is currently doing and be observant of it at all times. Watch and move with the market; don’t fight against it

Stay out of sideways or directionless markets



Buy stocks hitting new highs in price as they pass through certain resistance areas - he called these Pivot Points. Use a probing strategy to test your moves and pyramid additional buys on increases in price

Cut your losses short. Protect yourself from a wrong decision at no more than a 10% loss. Sell drifting stocks, as their inaction is an opportunity cost

Let your profits ride, as your strongest stocks keep moving up or down (if in short positions). Be patient with stocks that are acting correctly. The big money is made by sitting tight

Leading stocks in leading and strong industries is where your concentration should be

Avoid tips and information from others. Conduct your own homework, stick with the facts, and understand the fundamentals

Avoid cheap stocks. The big money is made in the big swings, and they usually don't come from cheap stocks

Make sure your psychological makeup is positive and controlled - he actually struggled with this

Have a knowledge of economics and fundamentals of business conditions

Patience is key - don't be in too much of a hurry to sell winning positions

- Quotes

*"Wall Street never changes. The pockets change, the stocks change, but Wall Street never changes because human nature never changes"*

*"There is nothing new in Wall Street. There can't be because speculation is as old as the hills. Whatever happens in the stock market today has happened before and will happen again"*

*"Watch the market leaders"*

*"In any sector, trade the leading stock – the one showing the strongest trend"*

*"It is much easier to watch a few than many"*

*"Continue with trades that show you a profit, end trades that show a loss"*

*"Never buy a stock because it has had a big decline from its previous high"*

*"There have been many times when I, like many other speculators, have not had the patience to await the sure thing. I wanted to have an interest at all times. You may say, "With all your experience, why did you allow yourself to do so?" The answer to that is that I am human and subject to human weakness."*

*"The human side of every person is the greatest enemy of the average investor or speculator"*

*"Do not trade every day of every year"*

*"Trade only when the market is clearly bullish or bearish"*

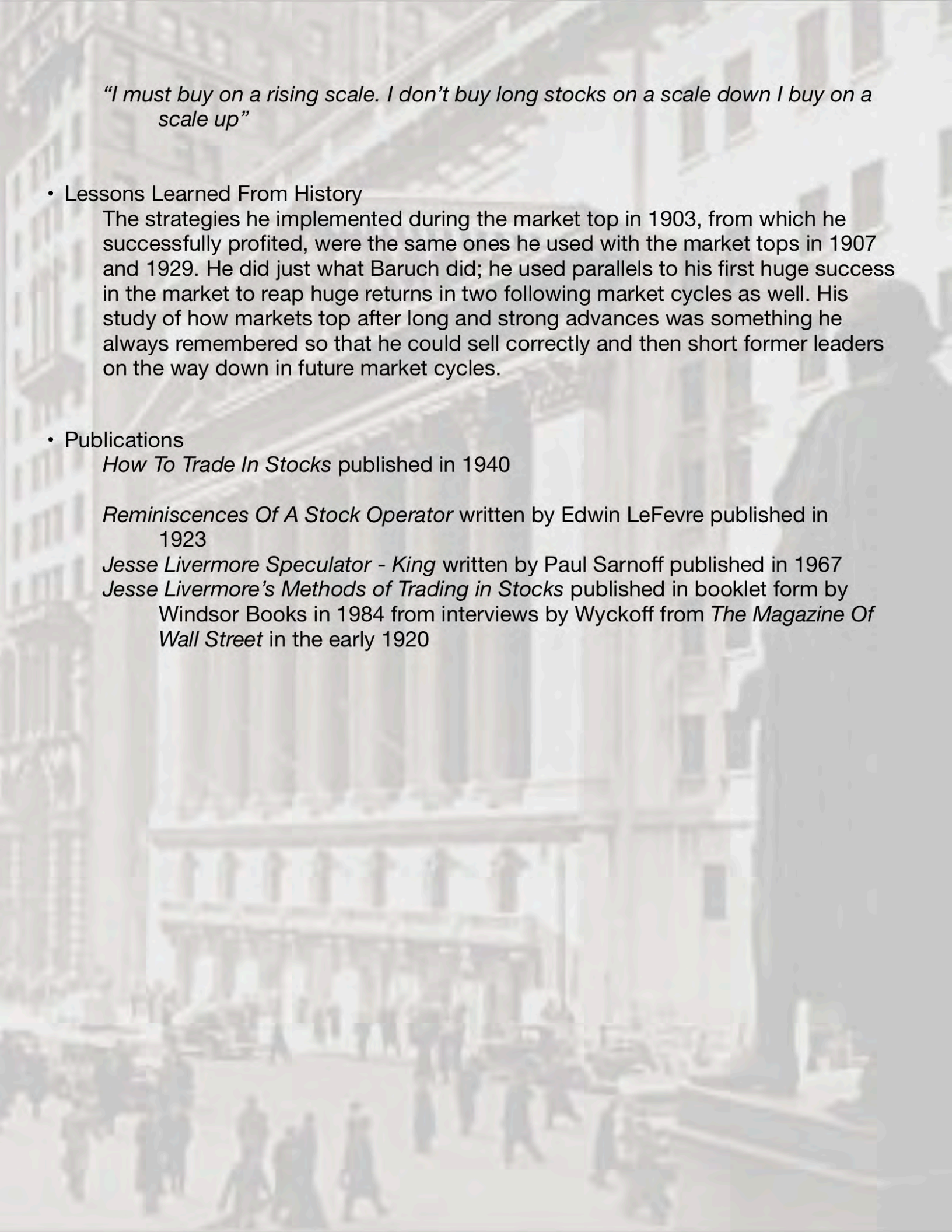
*"As long as a stock is acting right, and the market is right, do not be in a hurry to take profits"*

*"Big movements take time to develop"*

*"It's not the thinking that makes the money; it's the sitting"*

*"Patterns repeat, because human nature hasn't changed for thousands of years"*





*"I must buy on a rising scale. I don't buy long stocks on a scale down I buy on a scale up"*

- Lessons Learned From History

The strategies he implemented during the market top in 1903, from which he successfully profited, were the same ones he used with the market tops in 1907 and 1929. He did just what Baruch did; he used parallels to his first huge success in the market to reap huge returns in two following market cycles as well. His study of how markets top after long and strong advances was something he always remembered so that he could sell correctly and then short former leaders on the way down in future market cycles.

- Publications

*How To Trade In Stocks* published in 1940

*Reminiscences Of A Stock Operator* written by Edwin LeFevre published in 1923

*Jesse Livermore Speculator - King* written by Paul Sarnoff published in 1967

*Jesse Livermore's Methods of Trading in Stocks* published in booklet form by Windsor Books in 1984 from interviews by Wyckoff from *The Magazine Of Wall Street* in the early 1920



- Gerald M. Loeb 07/24/1899 - 04/13/1974 (started in the market in 1921)



- Background

Started working in the bond department of a brokerage firm at 22 and began writing market briefs that were published  
At 24 he moved to New York after joining E.F. Hutton - eventually became vice chairman in 1962 and stayed there his entire career  
Forbes magazine called him “the most quoted man on Wall Street”  
Made a name for himself by writing market articles that were featured in *Barron's*, *The Wall Street Journal*, and *Investor's Magazine*.  
Competed against Benjamin Graham's *Security Analysis* which came out near the same time (1935) as Loeb's *The Battle For Investment Survival*  
Became a leading broker with his firm and was managing large million dollar client accounts when he was in his mid-twenties  
The Crash of 1929 (which he sidestepped) created his skittish trading style  
He got to know Bernard Baruch and they shared the trait of learning all one could about the companies and stocks they invested and traded in  
Became a huge influence on future legendary traders Nicolas Darvas and William O'Neil

- Failures

Took a tip from someone in 1923 and put all his capital in Maxwell-Chalmers - market was sideways and started to fall - the stock fell and he refused to sell. He lost everything.  
His mother sold \$10K of jewelry and gave it to him - bought an oil stock on another tip and took another loss though he sold soon enough to keep some capital  
Early 1926 he was in many conservative stocks and didn't react when the market broke hard - he lost a years worth of profits in a short period of time



In 1929s frenzy he did get caught up and took a tip on a stock he vowed he would never buy - as it moved against him he realized what he did and sold it - he said he lost his "sense of proportion"

In 1946 the market gave plenty of topping signals just like it did in '29 and '37 and Loeb saw them but didn't act - he held on as the market got weaker - he eventually sold but was way too late and suffered some large losses

- Successes

Started with a \$13K inheritance and quickly doubled it on a bond issue but then quickly lost it (see above in failures)

Saw the top of the 1929 market that occurred in early September '29 - was out of the market a full three weeks before the big break in late October - was on a six week European vacation when the market broke wide open

Made over \$2 million in Montgomery Ward in the late '20s (see excerpt below)

Was profitable every year during the worst bear market in history (1929 - 1932) from the long side by tightening up his timeframes during short bear market rallies

Bought GM and Chrysler in 1933 during an uptrend and rode them both out for a solid 6 month gain

Helped out a client who wrote him that lost nearly everything with another broker in the '29 - '32 bear market - Loeb bought Standard Cap & Seal in 1933 and scored a quadruple return on it to get the client his money back

He saw the top in the market in the spring of '37 after a strong run that reminded him of the top in '29 and cashed out right before the market broke hard

Bought US Rubber in late summer 1942 as the market started to turn up from a deep downtrend - it was the leader and a big winner for him

Bought heavily into Warner Brothers and American Can during the strong market of mid 1944 - those were big winners for him

Big winners for him in the mid 1950s were Warner Brothers and Chrysler

Early 1961 he became bullish looking at the new highs starting to dwarf new lows right when the market started a strong uptrend

He sidestepped the hard '62 market decline but when it bottomed in October '62 and turned upward he bought heavily into Chrysler (so did Baruch and O'Neil) which was the leader after forming a perfect base - this was another big winner for Loeb

- Monster Stock Winners

Montgomery Ward, Studebaker, US Steel, Warner Brothers, General Motors, Chrysler, Baldwin Locomotive, American Can



- Strategies

Traded in only the liquid leaders of his day. In the early '20s he would focus on what he called the "four horsemen" (US Steel, American Can, Studebaker, and Baldwin Locomotive - those were the real leaders at that time)

Concentration in just a handful of leaders versus diversifying all over the market

Studied psychology as he learned that crowd behavior was a key in the market

Pyramid your winning positions

Cut your losses short - his maximum was 10% - this was his golden rule

Study the companies you trade in - get to know their business and what is moving the market. Baruch once wrote to him stating "after you have the facts, examine yourself as to whether you have prejudices or not, and then use your own judgment"

Flexibility and the ability to change direction quickly are key traits

Did not short stocks - instead he would tighten up his time frames during market rallies when the overall trend was still down

Was more of a skittish trader (similar to intermediate and swing trading today) when market conditions were not in a clear strong uptrend - did not believe holding positions for the long term if they gave off sell signals

Knowledge, experience, and judgement are key traits

Understand what stage the market is in when conducting your trades

Volume and price are the key indicators - supply and demand determine everything

Do a post analysis of your trades, especially the losing trades - that's the best teacher

Would write down his reasons for the trade beforehand - if the stock didn't act as expected he sold it - called this his "ruling reason"

Selling into strength and controlling your ego when winning is the key to retaining your earned profits

Check the new high and new low list daily to see any divergences and who the leaders are

Avoided cheap stocks - liked higher priced leaders that kept moving in strong markets

As a tape reader he focused only on price and volume, not news

- Quotes

*"To make money in the stock market you have to either be ahead of the crowd or very sure they are going in the same direction for some time to come"*

*"Following trends is easier than trying to call turns in them"*

*"Limiting losses is like paying worthwhile insurance premiums. The novice can limit his losses mathematically. The expert will have his reasons. The fool will let them run"*

*"And I think the big secret of those who have made more money than others is to realize their mistakes and get out quickly"*



*"Making a commitment is many times easier than closing one"*

*"It is wise to remember that too much success in the stock market is in itself an excellent warning"*

*"The greatest safety lies in putting all your eggs in one basket and watching the basket"*

*"The most important single factor in shaping security markets is public psychology"*

*"Willingness and ability to hold funds uninvested while awaiting real opportunities is a key to success in the battle for investment survival"*

*"The difference between the investor who year in and year out procures for himself a final net profit, and the one who is usually in the red, is not entirely a question of superior selection of stocks or superior timing. Rather, it is also a case of knowing how to capitalize successes and curtail failures"*

*"Profits can be made safely only when the opportunity is available and not just because they happen to be desired or needed"*

*"I feel all relevant factors, important and otherwise, are registered in the market's behavior, and, in addition, the action of the market itself can be expected under most circumstances to stimulate buying or selling in a manner consistent enough to allow reasonably accurate forecasting of news in advance of its actual occurrence. The market is better at predicting the news than the news is at predicting the market"*

*"What everybody else knows is not worth knowing"*

*"Only the professional market man knows how to move from stocks to cash or cash to stocks, or long to short or vice versa"*

- **Lessons Learned From History**

He saw a parallel to the market top in 1937 with the market top of 1929, when he had sidestepped the Great Crash. That allowed him to sell and keep his profits in 1937. He also knew that the bottom to the market in 1942 looked very similar to the market bottom in 1932. He then saw similarities to the 1943 market top from prior market tops that had occurred in both 1937 and 1929. That knowledge helped him make the correct decisions during that market period.

- **Published Excerpts**

The truly flexible man in the market is the man who can be foolish at times, bullish at times, bearish at times, borrow money at times, be short at times, the person who can learn to be an expert on gold stocks in one period and some other style of stock in some other period. These men are exceedingly super-super rare. But they exist. And these are the men to watch, the men to learn from, they are the men who really make money on Wall Street.

The best speculators know in their own right and have a rare art of understanding how to utilize and profit from their own knowledge and information from others.



They have intuition and judgment that tells them when to actively participate and when to stand idle on the sidelines. They have a “feel” of when to be brave, when to retreat, when to add to rising positions, and when to cut losses shorter and shorter over time. They know when to be patient and impatient, when to be in and when to be out, and when to trust their judgment.

Montgomery Ward was also a huge winner. In fact, this would turn out to be one of Loeb’s earliest and biggest winners. He ended up making a multimillion-dollar profit on this stock alone. How did he do it? He stayed in rhythm with a very strong market and one of its leading stocks. Montgomery Ward was a major leading stock at the time as consumer demand was in full swing and the company was reaping the benefits of increased revenues and earnings. Loeb kept pyramiding this stock on the way up, and he held fast to this rising leader. He kept watching it closely and heeded one of the key rules for big gains — let your winners ride. He also sold correctly and made sure he didn’t become too emotionally attached to a winning stock, even one that produced over millions of dollars for his account. He always liked to sell on the way up, and he was absolutely one of those smart money traders who sold right into the very strength of the stock before it would then weaken and break with the rest of the market.

- Publications

*The Battle For Investment Survival* published in 1935 and reprinted numerous times

*The Battle For Stock Market Profits* published in 1971

*The Wizard Of Wall Street* written by Ralph G. Martin published in 1965



- Jack Dreyfus 08/28/1913 - 03/37/2009 (started in the market in 1934)



- Background

First job was working for a supervisor who was a chart reader - Dreyfus would plot price changes and volume stats on the charts by hand and started noticing patterns repeating themselves

At 91 in 2004 he was still in the market and hired someone to update charts by hand each week for him - no automated charting service

At 24 he landed a stockbroker position at E.A. Pierce & Co.

Started a brokerage house in 1947 called Dreyfus & Co.

Bought a company with a small common stock fund in 1951 and renamed the firm The Dreyfus Corporation

Considered the one who invented the common mutual fund due to his marketing

Took his firm public in 1965 and was one of the first money firms to tap into the stock market for additional capital

In 1994 merged with Mellon Bank which was at the time the largest between a bank and a mutual fund company

Due to his success many mutual funds copied his strategies going forward

His buying strategies of new all time highs was the key to William O'Neil's strategy - he studied Dreyfus extensively

- Successes

As a rookie broker at 24 he defied the firms head economist in 1937 who stated the market would continue running higher - Dreyfus concluded it was topping due to his chart analysis (and went to 100% cash) - the market started a 50% decline the next day

In late 1953 he became fully invested based on his chart reading skills - he was seeing many patterns that were repeating historical winners

Stayed fully invested through the mid 1950s as the market was strong

By fall 1957 he was raising cash and was 75% in cash - right before the market broke hard in October - he saw the same issue he warned about in 1937.



This is from his letter to shareholders on 12/31/57 "As is always the case, your fund management could have done better, but this year we missed an opportunity to do considerably worse. To do worse, all we had to do was maintain a fully invested position"

He returned 604% over the 12 years he ran the fund in the '50s and '60s - the second place fund was up 502% and the Dow was up 346%

Polaroid was one of his biggest winners (and holdings) - up over 800% by the end of 1957

- Strategies

Charted stocks and looked for patterns that created breakouts to new high prices

Combined fundamental research with his technical chart analysis

Favored weekly charts - then examined daily charts if the weekly chart was good

Made sure the market trend led first

Made sure price structures in a stock showed a burst of strength to new all time highs

Had strict loss cutting strategies even when running a mutual fund - his was not on a percentage basis but based solely on the action of the stock

Was quick to act when the trend changed - stayed flexible

- Quotes

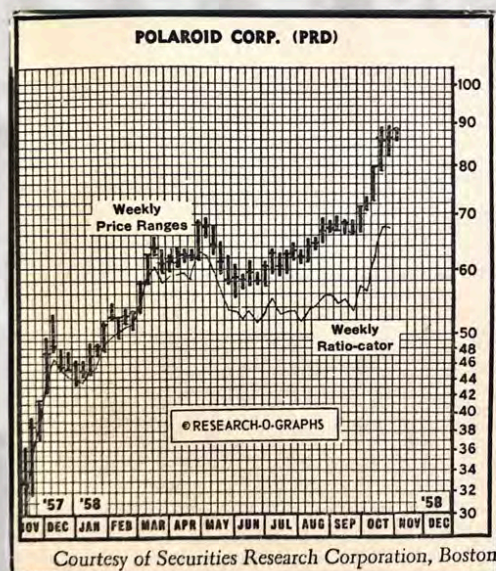
*"My advice to the unborn is, don't be born with a gambling instinct unless you have a good sense of probabilities"*

*"Nobody taught me, I just saw the same patterns. The same things happened over and over again"*

*"Sell when there is an overabundance of optimism. When everyone is bubbling over with optimism and running around trying to get everyone else to buy, they are fully invested. At this point, all they can do is talk. They can't push the market up anymore. It takes buying power to do that"*

- Publications

*The Lion of Wall Street: The Two Lives of Jack Dreyfus* published in 1995





- Nicolas Darvas 1920 - 1977 (started in the market in 1952)



- Background

A professional dancer, he bought a penny stock for a performance he was scheduled for but couldn't make as that was to be his compensation. When he checked the price months later it had nearly quadrupled in price. He was so amazed he became hooked on the stock market.

Read nearly 200 books on the market as he applied himself nearly 8 hours per day while still working his dancing career

Main source of study was a week old copy of *Barron's* which he would study the stock tables looking for positive price and volume action statistics

Created his Box Theory strategy that looked at price action within certain price and time levels that created boxes of support and resistance - he found a consistency of action and movements of stocks in trends

Combined both fundamentals and technical action in analyzing stocks in what he called his Techno-Fundamentalist approach - but relied much more heavily on technical action

Was featured in *Time* magazine in May 1959 that detailed his successful story of stock trading which went against everything Wall Street was preaching

His popular book *How I Made \$2 Million In The Stock Market* came out shortly after the *Time* article and became a best seller (and still is to this day)

Wrote a few other books but *You Can Still Make It In The Market* (written in 1977 just before his untimely death) proved that his strategies were just as sound 20 years after his first successes - he used history in the market to navigate through the turbulent '70s market



- Failures

Made all the mistakes for six straight years that nearly everyone typically makes when they start out - looked for tips from others, subscribed to numerous newsletters, bought cheap penny stocks, didn't follow what the market was doing, didn't research companies, diversified by holding 30+ stocks at once, bought beaten down stocks, etc.

Bought Jones & Laughlin Steel after researching it based on a broker recommendation and a low PE rating - he put all his money in it (\$36K) and it soon fell and kept falling - he lost \$9K when he finally sold

After he attained his first successes with his system and was up \$500K he became over confident and moved close to Wall Street - started listening to others, abandoned his strategy and lost \$100K within weeks

- Successes

Bought Texas Gulf Producing based solely on its positive price action after his big loss in Jones & Laughlin - sold it in five weeks for a \$5K profit

In August 1957 his new found strategy found nothing new to buy so he was 100% in cash - the baby bear market then began in the fall of that year

When the market started to stabilize in late '57 and early '58 he bought into Lorillard which he was watching closely - it built a 24/27 price box and he bought in after it cleared its \$27 high. He was quickly stopped out but it then reversed higher and he came back into it. He pyramided his buys as the stock continued rising and he sold out in May '58 for a 68% return to buy into EL Bruce

In early 1958 with the market coming back strong he bought into Diner's Club - this was one of his first successes and he made a \$10K profit

Took his profits from Lorillard and Diner's Club and put them into EL Bruce

EL Bruce was a big winner as it climbed off a high tight flag pattern and he piled into it - the stock was then suspended and traded over the counter - he held fast and ended up selling for a 228% profit that netted him \$295K

Made a pilot buy of Universal Controls in August 1958 - made two large pyramid buys as it started to take off - sold it all in March 1959 as it had a climax run - he sold \$12 off its high but he made a large profit of \$409K

Watched Thiokol Chemical for several months as it was rising and then took a pilot position in August '58 as it broke out to new highs - made pyramid buys on the way up into new highs - exercised a complicated rights option on the shares and then held them all the way to a climax run in May '59 when the exchange eliminated stop orders on the stock - made a profit of \$862K

Bought Texas Instruments in April '59 on a breakout and made two additional pyramid buys on its move up - made another large profit when his trailing stop loss was finally hit

Zenith Radio and Fairchild Camera were his next two big winners (see the excerpt below for details)



During the early part of 1962 he kept getting kicked out of his trades through tight risk management stops - he was totally out of the market by late spring when the market broke wide open

Stayed out of the brutal bear market in '73-'74 as his system gave him no stocks to purchase

By late 1974 the market started to turn upward and he was right there watching it - in February 1975 (after two months of observation) he saw National Semiconductor rise on huge volume. He bought it and doubled his first buy within three months. It pulled back and he sold out but it turned around again and he repurchased it - made another profit when he sold it in June '75

Bought Moore-McCormack in February '75 at \$34 and rode it out for six months to \$85 based solely on its price and volume action

Did well in the '75 - '76 uptrend by staying concentrated - Houston Oil (101% gain), Teledyne (149% gain), and Mitchell Energy (53% gain)

- Strategies

Buy only the right stocks - those that are rising through the top of their price boxes and making new highs in price

Strict loss control with each trade by using a stop loss

Made pilot buys to test the stocks he bought - same as Livermore with his probing strategy

Pyramid up with additional buys on your winners

Have a trailing stop behind your big winners

Focus on price and volume action within stocks - every event and news issue, etc. gets reflected in price action - stocks anticipate

He did not short stocks - stayed out of sideways or declining markets - strategy was to make big gains during strong market uptrends and then step aside during weak markets

Push your pride and ego to the side - accept the fact that you will be wrong at least half the time

Work on having an unemotional attitude toward stocks - adopt a cold post analysis of your losses - he called this his "cause-of-errors" table study

Concentrated holdings of only 5-8 stocks at one time was a far cry from when he was losing and holding up to 30 stocks - intense focus on the real price leaders. Like others with experience, if he knew he was right he piled in. For Texas Instruments he had 50% of his capital in that issue on his last buy

Understand the market environment you are in - stocks follow trends

To stay focused and disciplined he reread two books nearly every week or two - *Tape Reading and Market Tactics* by Humphrey Neill and *The Battle For Investment Survival* by Gerald Loeb



- Monster Stock Winners

Lorillard, EL Bruce, Universal Controls, Thiokol Chemical, Zenith Radio, Fairchild Camera, Texas Instruments, Houston Oil, National Semiconductor, Tandy

- Quotes

*"I made up my mind to buy high and sell higher"*

*"I became over-confident, and that is the most dangerous state of mind anyone can develop in the stock market"*

*"I believe in analysis and not forecasting"*

*"I decided to let my stop-loss decide"*

*"My only sound reason for buying a stock is that it is rising in price. If that is happening, no other reason is required. If that is not happening, no other reason is worth considering"*

*"I knew that I had to keep rigidly to the system I had carved out for myself"*

*"I also learned to stay out of bear markets unless my individual stocks remain in their boxes or advance"*

*"I keep out in a bear market and leave such exceptional stocks to those who don't mind risking their money against the market trend"*

*"As for good stocks and bad stocks, there were no such things; there were only stocks increasing in price and stocks declining in price"*

*"First check whether the market as a whole is rising or falling. In other words, are you in bull market or bear market? If the latter, stay out. The odds are against you"*

*"You have to find out what the public wants and go along with it. You can't fight the tape, or the public"*

*"I have no ego in the stock market. If I make a mistake I admit it immediately and get out fast"*

- Published Excerpts

During early May 1959, Darvas made four new initial buys into other leading stocks he had been watching. He took positions in Zenith Radio, Beckman Instruments, Fairchild Camera and Litton Industries. Once he established his positions, he set stop-loss orders on each one of them at 10% below each one's purchase price. On May 18, he was stopped out of Beckman Instruments, as it pulled back in price and triggered a 10% loss for him. The very next day, Litton Industries fell to \$106¼ per share from Darvas's buy point of \$112. Even though it had not yet reached his stop-loss order yet, Darvas sold out and took a 5% loss, as he didn't think it was acting correctly. This is another great skill that comes to the best over time — their ability to trust their judgment when things don't seem right and they then cut their losses even smaller than their original strategies allowed. Then Darvas, after those two positions had been closed, took that capital and moved it into his other two holdings, which were acting well and displaying strength. He followed up with his initial purchase of 500 shares in Fairchild Camera with a pyramid buy of 4,000 more shares ranging in price from



\$123¼ to \$127 per share. He then made a follow-up buy to his initial position in Zenith Radio with a 5,000 share purchase, ranging in price from \$99¾ to \$107½. These two stocks ended up contributing to the millions he made during the strong 1958 and early 1959 market. This is classic stock trading skill at its finest that is never taught in any textbook or classroom. Darvas, with just those four transactions, can teach one plenty about the stock market. He stayed in tune with a strong market and bought into four leading and fundamentally strong companies that were initially moving up in price. He then took small positions initially to test his investments. He set strict loss-cutting strategies in place to control his emotions and limit his risk. He took his first loss in stride and then cut his second loss even smaller, without getting angry or hoping for comebacks. He also experienced the average 50% win/loss ratio that even the best traders throughout history have experienced. The difference is that the best traders keep the losses small and let the winners ride. Darvas then took available capital and piled it into his other two stocks that were moving up in price. Pyramiding winning stocks is what leads to big profits. He then held those two stocks until they showed selling signals or forced him to sell them. That is how legendary stock traders make millions.

The Darvas Method consisted of what he called his Techno-Fundamentalist approach and his Box Theory. This is how he created his theories. He would not concentrate on the fallen leaders due to the heavy overhead resistance that would exist from previous buyers of the stock who had not cut short their losses. As described also by Loeb, these previous buyers would hope and wait for the fallen stock to get back to their original buy point so they could sell and get out of the transaction at a break-even point. Darvas knew this overhead resistance would hold back former leaders and keep them from making new highs. Instead, he focused on the new leaders that would be emerging with a new market cycle. He liked when these stocks would hit all-time high prices. These stocks would not have the overhead resistance to deal with, relieving the stock of a certain price level in order for it to gain new ground.

- Publications

*How I Made \$2,000,000 In The Stock Market* published in 1960

*Wall Street: The Other Las Vegas* published in 1964

*You Can Still Make It In The Market* published in 1977

*Time Magazine* May 25, 1959



- William J. O'Neil 03/25/1933 - 05/28/2023 (started in the market in 1958)



- Background

In college he developed a strong interest in the stock market and upon graduation he became a broker with Hayden, Stone & Co. in 1958  
Took more of an interest in the research side versus the sales side of the brokerage business

Started researching the Dreyfus funds success as he was not having much success himself after his first year - discovered Dreyfus was buying new leaders at new highs off basing patterns

Read *How To Trade In Stocks* by Livermore at a graduate program in 1960

First stock purchase was with only \$500

After reading *Reminiscences Of A Stock Operator* he saw parallels to market history from the 1907 market top he read about to his current day at the time in 1962

Spend several years putting his system together (CAN SLIM) - his mentors became Livermore, Dreyfus, and Loeb

Success in 1962 & '63 when he took his account from \$5K to \$200K (just under 4,000% in a year) allowed him to be the youngest ever (at age 30) to buy a seat on the NY Stock Exchange - he then struck out on his own and created the first computer stock database

Moving to California he opened William O'Neil & Co. as a securities research firm serving institutions (one of the first was The Vatican) - to this day it is one of the most respected in the industry.

He then created Daily Graphs, Inc. (which became WONDA for institutions and MarketSmith for individuals) that combined fundamental stats with technical stock charts

Created *The Model Book Of Greatest Stock Market Winners* that analyzes the biggest winning stocks over history going back to 1885



In 1984 he launched *Investor's Daily* (later changing the name to *Investor's Business Daily*) to compete with *The Wall Street Journal* - the paper was funded by stock trading profits and was estimated to have a readership of 800K at its peak

He is known for averaging more than a 40% return yearly over decades and has a win ratio of 66% - he was up 401% and 322% in 1998 and 1999, respectively

Noted for placing a full page ad in *The Wall Street Journal* in February 1982 stating inflation had been tamed and to invest for the recovery ahead - market turned up in August and started a major bull run

From 1978 to 1991 his in house money managers were up 20 fold - from 1998 to 2000 they were up 1,500%

Wrote his best selling book *How To Make Money In Stocks* in 1988 that has sold millions of copies and is probably responsible for more successful traders than any other publication

Mentored and developed probably more successful traders than anyone. Working for him as portfolio managers have been Gil Morales, Chris Kacher, Mike Webster, Charles Harris, Lee Freestone, David Ryan, and Ross Haber to name a few.

- Failures

During the uptrend in early 1961 he did well with six different stocks on the way up but he gave back all his profits during the summer correction - he then studied this to create his sell rules

Bought Certain-Teed correctly in the early '60s but quickly sold out for 2 point profit - it went on to triple in price from that pullback

- Successes

Shorted Certain-Teed and Korvette (against his firm's recommendations) in the spring of '62 as he learned from history that the market top looked like 1907 - made substantial profits on them

Bought Chrysler when the market bottomed and turned around in October 1962. Chrysler formed a near perfect base and shot out of it when the market confirmed a new uptrend and Loeb and Baruch also bought it on the breakout

Cashed in his Chrysler profits to buy Syntex in June '63 after it had already doubled in price - held it for six months on its run and sold it right into a climax run for a 470% profit

In 1963 many of the accounts he managed were up several hundred percent - his worst performing account was up 115%

Saw the top to the 1966 market and cashed out all accounts to sidestep that decline - did the same in '73 & '74 to avoid that bear market



Bought Pic 'N' Save in late '76 and held it for over 7 years for a twentyfold profit - he made 285 different buys on the stock over that time on its way up (actually owned 4.99% of the stock at one point)

He did well in oil stocks in '79 & '80 as the price of oil was rising rapidly

Bought Price Company in June '82 off a base - he held it for 3 1/2 years for a fifteen fold increase

Sidestepped the '87 crash by studying the 1907 and 1962 market tops and how stocks had topped - was 100% in cash when the market collapsed 22% in one day

Bought Amgen - the leader in the strong 1991 market - and kept pyramiding it up until it flashed sell signals and made a large gain (550%) on the stock

During the fast market in 1998 - 2000 he sidestepped the major corrections along the way as the huge uptrends provided unprecedented opportunities. Some of his biggest winners were Charles Schwab (up 313%) and AOL (up 456%) which he sold right into climax runs. He did very well with Sun Micro, Qualcomm and several others as well as he had his best years ever

Stayed mostly in cash during the two year bear market from 2000 - 2002

Bought eBay off the October 2002 bottom as it held up and broke out

Added to eBay in March 2003 when the market took off on a strong uptrend - piled into eBay with one of his biggest positions ever and made a huge profit on it

He did very well with Apple and Google during the somewhat choppy market environments of 2005 and 2006 getting in on breakouts and stepping aside during corrections and then repeating the process

- Monster Stock Winners

Syntex, Chrysler, Pic 'N' Save, Price Company, Sea Containers, Dome Petroleum, Amgen, AOL, Charles Schwab, Qualcomm, Sun Micro, eBay, Google, Apple

- Strategies

Summary of O'Neil's CAN SLIM strategy:

C = Current Quarterly Earnings per Share

They must be up at least 18 to 20% as a minimum and show recent acceleration in their percentage rate of quarterly increases. The average percent increase in current quarterly earnings of all great winners for the last 50 years was 70%. The very best showed earnings increases of 100 to 200%. Companies with five to seven quarters in a row of earnings up a meaningful amount were most dependable.

A = Annual Earning per Share

This should show growth in each of the past three years. The annual growth rate can vary from 25% to as much as 250% or more. Either



the annual pretax profit margin or annual return on equity should be expanding. Return on equity (ROE) should be 17% or higher.

N = Buy Stocks with Superior New Products, New Services, or New Management

Many may be newer entrepreneurial companies that had IPOs recently or in the previous 10 years. Use charts to buy these stocks as they begin to emerge from sound chart base patterns of seven weeks or more and are at proper buy points. These correct buy points will be at or within 10 to 15% of new price highs for the year. At the buy point, trading volume for the day should increase 50% or more above the stock's average daily volume. If the stock advances 2 or 3% from your initial buy price, follow up with a smaller add-on buy. All buying should be limited to the stock's initial 5% move up from its buy point. On the other hand, any and all stocks that decline 7% below the price you paid must be sold (with no exceptions) to cut short all of your losses and prevent the possibility of eventually having several substantially larger, seriously damaging losses in your portfolio.

S = Supply and Demand

This involves shares outstanding plus big volume demand.

L = Leaders or Laggards

Concentrate your buying in the top two or three rated stocks in one of the strongest 10 or 15 of the 197 Industry Groups. Avoid stocks with a Relative Strength Rating below 70, and concentrate on those rated 80 and higher that are in a sound chart base pattern. You are looking to buy really great companies that are the very best fundamentally and in market price and volume behavior, not just one without the other.

I = Institutional Sponsorship

You always want good institutional sponsors behind every stock you buy—at least 25 or more institutional owners. That's because mutual funds are the big movers of stocks due to the size of their purchases.

M = Market Direction

You must learn to follow and correctly interpret a daily price and volume chart of the major stock market indexes every day if you want to know when a new major uptrend is starting or the market is topping and starting what could become the beginning of a serious correction or major new bear market.

- Quotes

*"Study past big winners and you'll buy future ones"*

*"A great trader once noted there are only two emotions in the market: hope and fear. 'The only problem,' he added, 'is we hope when we should fear, and we fear when we should hope.' This is just as true in 2009 as it was in 1909"*

*"Personal opinions, feelings, hopes, and beliefs about the stock market are usually wrong and often dangerous. Facts and markets, on the other hand, are seldom wrong"*



*"The whole secret to winning big in the stock market is not to be right all the time, but to lose the least amount possible when you're wrong"*

*"It is one of the great paradoxes of the stock market that what seems too high usually goes higher and what seems too low usually goes lower"*

*"The market has a simple way of whittling all excessive pride and overblown egos down to size. After all, the whole idea is to be completely objective and recognize what the marketplace is telling you, rather than try to prove that the thing you said or did yesterday or six weeks ago was right. The fastest way to take a bath in the stock market or go broke is to try to prove that you are right and the market is wrong"*

*"Over-diversification is a hedge for ignorance"*

*"Plot out your mistakes on charts, study them, and write some additional rules in order to correct your mistakes and the actions that cost you money"*

*"Remember, keep it simple. Investing is hard enough"*

*"When you appear to be right always follow up"*

*"Learn to always sell stocks quickly when you have a small loss rather than waiting and hoping they'll come back"*

*"Over time, you'll learn that only one or two out of every 10 stocks you buy will be truly outstanding and capable of doubling or tripling or more in value"*

*"Buying stocks on the way down is dangerous. You can get wiped out. So, stop this risky habit. Anyone who buys stocks on the way down in price because they look cheap will learn the hard way this is how you can lose a lot of money"*

- **Lessons Learned From History**

His first great success came from his study of the 1962 market top and how it looked like the market top that Livermore saw in 1907. So not only does O'Neil use his own experience, he also is familiar with market cycles that occurred well before his time and that other great stock traders were involved in as well. O'Neil's comments in early 1982 from his ad placement in the Wall Street Journal used prior market cycle precedents that looked similar to that time in 1982. Those that looked similar were from 1974, 1949 and 1932. He also avoided the worst single day in market history (in October 1987) because the market topped in August of that year (when he sold and went to a 100% cash position) and it reminded him of the market tops of 1907 and 1962, thereby forcing him to sell stocks and raise cash. O'Neil also uses similar cycle and chart patterns in stocks as well, as that is a major component of his CAN SLIM system. His big win in Pic'N Save initially reminded him of the same early action that occurred in Kmart and Jack Eckerd. His huge win in AOL reminded him of the time he missed Fairchild Camera's big move 33 years earlier. Both followed the exact same pattern. His big gain in Schwab came from studying the pattern of Quotron Systems from 1979. Those are just three examples of hundreds of successful stocks that O'Neil has bought over the years in which he related current price action to other great stocks in the past. In fact, historical models of the best



stock market winners in history is the cornerstone to his successful CAN SLIM investment method and is the real key to how he expanded on and refined the strategies of his predecessors.

- Published Excerpts

What you must understand, though, is that highly successful investing has nothing to do with your emotions or personal opinions. The stock market doesn't care who we as individuals are, what we think, or how we feel. It's a beast like no other: indifferent to human desires, oblivious to common wisdom, maddeningly contrary, and seemingly bent on confounding the majority at every turn. The only law it obeys is the law of supply and demand. And until you, as an investor, come to grips with this reality and learn to move with the market rather than against it, you'll be plagued by results that are mediocre at best.

- Publications

*How To Make Money In Stocks* published in 1988 and reprinted six different times

*24 Essential Lessons For Investment Success* published in 2000

*The Successful Investor* published in 2004

*How To Make Money Selling Stocks Short* published in 2005

*Market Wizards* written by Jack D. Schwager published in 1989



## Quotes From Other Legendary Traders

*"Rule No. 1: Never lose money. Rule No. 2: Never forget rule No.1"*

*Warren Buffet*

*"Opportunities come infrequently. When it rains gold, put out the bucket, not the thimble."*

*Warren Buffet*

*"We don't have to be smarter than the rest. We have to be more disciplined than the rest"*

*Warren Buffet*

*"I'm always thinking about losing money as opposed to making money. Don't focus on making money, focus on protecting what you have"*

*Paul Tudor Jones*

*"And then at the end of the day, the most important thing is how good are you at risk control. Ninety-percent of any great trader is going to be the risk control"*

*Paul Tudor Jones*

*"Don't ever average losers. Decrease your trading volume when you are trading poorly; increase your volume when you are trading well"*

*Paul Tudor Jones*

*"You learn more from your losses, than from your gains"*

*Paul Tudor Jones*

*"Losers average losers"*

*Paul Tudor Jones*

*"You look at every bear market and they've basically occurred because of an up-tick in inflation and an up-tick in interest rates"*

*Paul Tudor Jones*

*"People who succeed in the stock market also accept periodic losses, setbacks, and unexpected occurrences. Calamitous drops do not scare them out of the game"*

*Peter Lynch*

*"Owning stocks is like having children - don't get involved with more than you can handle"*

*Peter Lynch*



*"All you need for a lifetime of successful investing is a few big winners, and the pluses from those will overwhelm the minuses from the stocks that don't work out"*

*Peter Lynch*

*"Earnings don't move the overall market; it's the Federal Reserve Board"*  
*Stanley Druckenmiller*

*"Good investors are successful not because of their IQ, but because they have an investing discipline"*  
*Stanley Druckenmiller*

*"When you have tremendous conviction on a trade, you have to go for the jugular"*  
*Stanley Druckenmiller*

*"Pulling the trigger is not about analysis; it's not about predicting trends - it's really about a sort of courage. It's hard to describe. You know, the ugly way to describe it would be "balls." To be willing at the right moment in time to put it all on the line. That is not something, in my opinion, that can be learned. It is totally intuitive, and it is an art, not in any way a science.*  
*Stanley Druckenmiller*

*"If you're extremely confident, taking a loss doesn't bother you"*  
*Stanley Druckenmiller*

*"I think it's one of the most important things to do is not to play when you don't see a fat pitch. When you really see the ball, swing really big. And when you don't see the ball, don't swing"*  
*Stanley Druckenmiller*

*"Your probabilities of success are quite low when the market trend is going against you"*  
*Stan Weinstein*

*"One glance is worth a thousand earnings forecasts. The tape tells all, and our job is to listen properly"*  
*Stan Weinstein*

*"Traders in the zone don't need to know and don't care what the market is going to do next. They know what they are going to do next. And that makes all the difference"*  
*Mark Douglas*



## Modern Day Legendary Traders

- David Ryan 1959 - Present



- Background

Bought his first stock when he was 13 and by 16 was attending IBD seminars and going through stock charts regularly - in college he read every stock market book he could find - favorites were *How To Make Money In Stocks*, *How I Made \$2 Million In the Stock Market*, *Reminiscences Of A Stock Operator*, and *How To Trade In Stocks*

After college (UCLA) he landed a job at IBD by being persistent to work with William O'Neil - stayed there for 17 years

After four years at IBD he was named the youngest Vice President of the company - he became a portfolio manager and O'Neil's direct assistant for stock selection

Was portfolio manager of USA Growth Fund from '93 -'97 (an O'Neil firms fund)

Created his own money management firm Ryan Capital Management in 1998 and formed Rustic Partners - closed the fund in 2003

Currently trades his own account and is a consultant for IBD

- Failures

In the summer of 1983 during a major correction he was still buying stocks like he did during the uptrend - he gave up all his prior gains (155% return from mid '82 to mid '83) and then some

Most of his mistakes came from buying stocks already extended in price (up at least 15% from their breakout areas)

- Successes

Won the US Investing Championship contest the first year he entered it in 1985 with a return of 161%

Won the contest the next year in 1986 with a 160% return



Won the contest an unprecedented third year in a row in 1987 with another triple digit gain bring his three year total compounded return to 1,379%

- Strategies

Study historical big winning stocks so you know what to look for in future leading stocks

Uses the CAN SLIM strategy of William O'Neil

Studied all his mistakes and created rules to not repeat those mistakes

Writes down the reasons he will buy a stock - same as Loeb and Darvas did

Work on being disciplined in your approach after learning from your mistakes

Doesn't buy low priced stocks - typically only those over \$20 per share

Combines strong fundamental stats with strong technical traits

Relative strength and the strength of the industry group the stock is in is key

Studies hundreds of charts but narrows his key watchlist down to under 10 - concentration on just the best that meet all his strict fundamental and technical criteria

Averages about a 50% win rate - cuts losses quick at 7% or less

Average holding period for the monster stocks he makes most of his return on is 6 to 12 months (average length of time for the best part of a monster stock)

Strong volume levels and stocks making new highs are the real leaders he will buy into

Draws lines on attractive charts that plot price and volume action. Those two are the important keys and they override everything else.

- Referenced Publications

*Market Wizards* written by Jack D. Schwager published in 1989



- Mark Minervini 01/22/1965 - Present (started in the market in 1983)



- Background

Dropped out of school at 15, played the drums professionally, and became self taught by reading thousands of books

Became interested in the stock market as a teenager because he liked the freedom it offered. Studied *Superperformance Stocks* by Richard Love and *How To Trade In Stocks* by Jesse Livermore as his major references

In his early 30s he was President of an institutional advisory research firm in NYC for large managed funds

He's been a guest speaker on CNBC, CNN, Fox News, Bloomberg, and IBD Live among others over the years

Offers a live side-by-side trading service through his Minervini Private Access offering and conducts a Master Trader Program yearly workshop where he teaches his methodology. More information is available on his website at [www.minervini.com](http://www.minervini.com). Is a best selling author of three excellent trading books.

- Failures

Lost everything in the market early on and for six years by listening to others, buying beaten down stocks, letting losses run, etc., which finally lead him on a quest to learn all he could and become disciplined in his approach

- Successes

Was up 413% in 1995 after re-entering the market in April '95

Won the 1997 US Investing Championship with a 155% return

Over a five year consecutive period he averaged a 220% return per year with only one losing quarter during that time - that's a 33,500% total return!

Won the 2021 US Investing Championship in the \$1 million division with a 334% return breaking the record for that division



- Strategies

Strict risk management with tight stops on all stocks is the number one rule. Discipline to stick to your proven strategy is the key to consistent performance. Concentration (between four and twelve stocks but really only four or five top performers) versus diversification and being spread out all over the market. Time the market along the line of least resistance. When trading well increase your exposure, when trading badly reduce and cut back your trading. Sell into strength - that's what professional traders do. Beware of three deadly traps when they get out of control - emotions, opinions, and ego. Uses stage analysis and VCP pattern recognition. Turnover in your account (limiting losses and rotating into the strongest stocks while selling into strength) is a key to super performance returns. He trades in shorter timeframes (swing trading) vs. more position trading.

- Monster Stock Winners

Apple, Accustaff, Yahoo!, FSI International, Kenneth Cole, LA Gear, Amgen, Costco, Home Depot, Foster Wheeler, Taser

- Lessons Learned From History

The knowledge I have amassed has come not only from three decades of hands-on experience but also from the study of those who arrived before me. Although I have taken the information in, refined it, and retooled it into my own Specific Entry Point Analysis, or SEPA, to suit my own trading, I am indebted to the market masters whose groundbreaking works go back many decades.

- Publications

*Trade Like A Stock Market Wizard* published in 2013

*Think & Trade Like A Champion* published in 2017

*Mindset Secrets For Winning* published in 2019

*Stock Market Wizards* written by Jack D. Schwager published in 2001



1995 was one of my biggest years up 413%. I didn't START getting aggressively invested until April that year when stocks met my entry criteria. Picking lows is unnecessary. Trading when breakouts are working is how you make big gains with low risk. But it requires patience.





- Jim Roppel 11/30/1964 - Present (started in the market in 1987)



- Background

Opened two brokerage accounts (one was trading options) while in college - lost money in both and then spent the next seven years losing money making all the same mistakes the other greats did before turning themselves around

In 1994 he started to turn himself around by implementing a strict loss cutting rule and he reread and studied *How To Make Money In Stocks* by O'Neil and *The Battle For Investment Survival* by Loeb and he really started studying charts in depth

In 1999 Roppel was up 483% just from April - November. He was up another 68% in just the last two months of the year

He produced other triple digit returns in 2003, 2007, and 2020

He started his own firm in 2005, Roppel Capital Management, that now includes a small cap and a crypto fund

- Failures

Bought Centocore a biotech stock in early '92 as it already had a big advance and he went on full margin - stock sank as FDA report rejected a drug - he had to pay back a loan to the firm over the next 18 months

US Biosciences was another biotech that crashed on him in '92 right after Centocore - became physically ill after those losses

In the spring of '92 he bought Royce Labs based solely on fundamentals - it crashed and Roppel didn't cut his loss - ended up taking a 70% loss. 1992 was nearly a total wipeout for him and he almost left the industry

In the summer of '95 he bought Netscape for a client with a firm he just joined and the client didn't pay - he then owed the firm \$75K - his mother just received a small inheritance and she gave it to him to get back on track



In September '98 after several big successes he bought into JD Edwards while the market was still struggling - the stock then broke hard and down thru the 50-day line but he held on - it then broke hard even further and he finally sold out but well after his loss cutting rule

Became too influenced by bad European news in December 2011 when the market turned and he was way late coming into that market uptrend - focus on the market as it discounts all news in advance

- Successes

In early 1996 he bought his first big winner Iomega - bought on the breakout but sold when he was up 20% on a pullback to the 50-day line - held the rest for a three month quadruple gain to \$100K when he sold right into a climax run

He bought Action Performance in March '96 and doubled his money in 3 months when it exhibited weakness after an earnings report

In May '97 he bought Jabil Circuit on a breakout and scored another 100%+ gain in four months

During the '99 market uptrend he bought Netbank and Knight Capital out of bases on breakouts and sold into climax runs in short time for both - his account had grown from \$14K in '97 to \$311K by the 3d quarter of '99

He bought several tech leaders in late '99 as the market was racing higher but Broadcom was his leader - he took three big positions in October and went on full margin

In early March 2000 with the market and many stocks racing into climax runs Roppel sold out of Broadcom (where he made over \$1 million) and all his holdings - he went from 200% (full margin) to a 100% cash position in one day. His personal account was now over \$2 million and he retired from working for others

Stayed mostly out of the 2001-2002 bear market

When the market turned up in March 2003 he landed many leading stocks (eResearch, SanDisk, Gen-Probe, JetBlue, etc.) breaking out and eventually sold into either climax runs or breaks of key moving averages - produced a 109% return for the year

He did well in 2005 & 2006 with Google and Apple buying at breakout points, selling into strength or weakness thru key areas, and then coming back in when conditions repeated

In the 2007 strong uptrend he bought into Research In Motion (which he did well with in the '03 uptrend) and made nearly a \$7 million profit in his fund in only 3 months

In the 2009 market recovery off the bear market he started a position in Baidu and added/sold at various points throughout 2010 & 2011 - when he sold out that core position he netted a \$30 million profit for his managed fund

Bought Netflix in late 2010 and that core position along with various buy and sell transactions produced nearly \$9 million in fund profits over 10 months



- Monster Stock Winners

Jabil Circuit, Broadcom, SanDisk, Google, Apple, Research In Motion, Baidu, Zoom Video, Roku, The Trade Desk

- Strategies

Cut your losses short with no exceptions - he will cut his positions in thirds if they start to fail - 1st third if down 3%, 2nd third if down 5%, and final third if down 7%

Do a post analysis of all your trades - you learn the most from your own experience and especially your losses

Sell rules include selling into strength during a climax run and breaks of the 50-day line in heavy volume

Don't buy extended stocks - rookie mistake

Make sure you are sync with the general trend of the market

Keep your stock holdings to 10 or less

Study historical stock charts of the biggest winners going back decades and more - familiarize yourself with common stock bases as they keep repeating

Continue your chart study even when the market is bad and always be on the lookout for the new "basketballs under water"

Keeps signs above his trading monitors to remind him constantly - "Rules Not Emotions" and "Follow The Volume" among others

Buy only quality institutional backed stocks - stay away from low priced (under \$20 a share) and low volume stocks and focus on the fundamentally strongest stocks in the leading groups

- Quotes

*"Knowing the future is not important, knowing the trend is"*

*"As long as the golden goose of capitalism is not crushed by socialism, there will always be great opportunities in the stock market"*

*"Opportunities in the stock market are endless if an investor is willing to do their homework, stay disciplined, and learn to be patient"*

*"When it is obvious to the masses and they begin to jump into the market with both feet, you know you've reached a major market top"*

- Lessons Learned From History

In 1994 he lacked the historical knowledge of past big winners. He bought Micron Tech on two low volume breakouts that failed and he cut his losses at 7% but the stock then broke out on big volume when the market strengthened and it soared 290% in seven months that he missed. He bought Macromedia in October '94 on a strong breakout and sold for a



three point profit - it then soared 700%. He then started studying big winners from the past.

- Referenced Publications

*How Legendary Traders Made Millions* written by John Boik published in 2006

*Monster Stocks* written by John Boik published in 2008

## IBD INVESTOR PROFILE

# A Cool Mil From Broadcom Lets Him Retire

BY KEN HOOVER

INVESTOR'S BUSINESS DAILY

With Chicago still in winter's grip and the stock market going nowhere, Jim Roppel a week ago packed up and took a break for a few days with his wife, Suzette, on a sun-drenched golf course in Arizona.

Was he rattled over the Nasdaq's slide? No matter to Roppel. He was mostly in cash after reeling in a sweet 109% gain for 2003. After less than a decade as a CAN SLIM investor, he has the confidence to know that when conditions are right, he can rack up big gains.

"When stocks start breaking out, I'll be there," he said.

His profits gave him the freedom to quit his job last week as a Morgan Stanley broker and trade for his own and family members' accounts full time. At 39, he's retired.

He bought a \$1.5 million home on a golf course and a \$120,000 Mercedes S55 AMG. His parents bought a house on the opposite side of the golf course with profits Roppel made trading their accounts.

But mastering the stock market didn't come easy.

"My dad was always in the market, mostly medical stocks. It worked well in the late '80s. When I became a broker, I did what my dad did. I thought I was a genius," he said.

When the biotech bubble burst in early 1992, Roppel's portfolio took a big hit.

"It turned out I wasn't that smart. I had gotten into a good sector accidentally," he said. "I had no discipline, no strategy. I understand why brokers don't call their customers. They're mentally crushed."

He lost money each year till 1994.

"My wife told me I was in the wrong business. She said, 'Take a look at your tax returns.'"

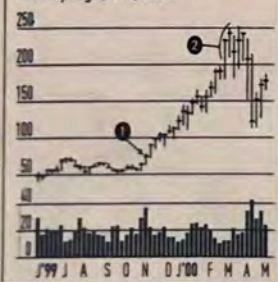
That's when he started reading IBD and studying the CAN SLIM method. From 1997 until the third quarter of 1999, his account soared from \$14,000 to \$311,000 after



"Retiree" Jim Roppel, 39, and wife, Suzette, take in the Phoenician Resort in Scottsdale, Ariz., while enjoying the fruits of his investment efforts. AP

### Broadcom

Weekly high, low, close



taxes. The fun had just started.

He added another \$400,000 and, using margin aggressively, ran his account to \$2.2 million before bailing at the market top in March '00.

He made \$1 million in Broadcom, beginning his purchases on Oct. 29, 1999 ①, and adding to his position as the stock advanced over several days. He bought more as the stock pulled out of short consolidations on the way up.

There was a sharp correction in the first week of 2000 that sent his Broadcom stake down \$350,000. Even though he still had a solid profit because he'd bought correctly, he doesn't think he could have held on if other stocks hadn't given his account some buoyancy at the same time. It's hard to keep your emotions under control when investing, but Roppel stuck to the rules.

"It never looked that bad. It never violated its 50-day line," he said.

Most of his stocks went into wild climax runs in early 2000. He sold Broadcom over two weeks in the first half of March 2000 ②, right near the top.

He had bought at just over 60, then sold all his shares above 200. One morning, his account was up \$300,000, but closed down \$400,000 for the day. That gut-wrenching day helped convince him the top was at hand. By St. Patrick's Day, he was in cash and golfing in Arizona.

It's one thing to make a lot of

money in a bull market. It's another to keep it in the worst bear market of a generation. Roppel sat out the rest of 2000, then eked out a 12% gain in 2001 with a few winners like Krispy Kreme, Metro One and International Game Technology.

He lost 15% during 2002. Then, when a new bull market rolled around last year, he was ready. OmniVision was one of his first buys Feb. 28. He had winners in United Online, SanDisk, Netflix, J2 Communications, Gen-Probe, eResearch Technology, eBay and American Pharmaceutical.

One surprising winner was Jet-Blue Airways. Colleagues thought he was nuts for buying an airline stock. United Air Lines had filed for bankruptcy, and others teetered.

"It had a perfect base," he said. "When I see a base like that, I can't help myself. I have to buy it."

By late last week, he was in cash except for a small Genentech position.

Roppel spends his Sunday afternoons poring through Daily Graphs chart books. Each day, he runs maybe 10 screens based on price and volume action. In the evenings, he studies several hundred charts.

It's not at all drudgery. "I'm truly passionate about equities. I love the market. Studying it is a joy."

He admits to making plenty of mistakes, but always cuts his losses at 7% or less.

He also confesses he can't keep emotions out of investing. A losing streak is painful.

He says he can always tell a good investor from a poseur, who either fabricates stories about vast profits or lucked out in one stock. "People who have made money in the market over the long pull are humble because they've been pounded," he said.

He believes he can consistently profit in an up market.

"It's not like I bought one stock and made a lot of money on it," he said. "If there are 30 leaders in a market, I'll have five or 10 of them."



## How The Best Used History To Study & Observe The Markets

The best traders knew that knowledge of market history was very important to success in the stock market. Great traders used history to profit in their current market environment. Roppel would go back to market and stock charts that are nearly 100 years old as he knows how important historical knowledge is to succeed in the market as cycles and stock patterns repeat. Here are some examples of how the best traders used history as precedents in their time.

**Bernard Baruch.** The 1924 market upturn off the bottom looked very much like the 1897 market upturn to him. He remembered that profitable time and used that knowledge and experience to reap new returns. He also saw the parallel in the 1904 market to that same market in 1897. Therefore, he used his first initial success in 1897 to profit two more times in market cycles that repeated a similar pattern. He also saw a similar situation of a market top in late 1960 (at age 91) to prior ones he was involved in when other major market tops occurred, and he warned about it at that time.

**Jesse Livermore.** The strategies he implemented during the market top in 1903, from which he successfully profited, were the same ones he used with the market tops in 1907 and 1929. He did just what Baruch did; he used parallels to his first huge success in the market to reap huge returns in two following market cycles as well. His study of how markets top after long and strong advances was something he always remembered so that he could sell correctly and then short former leaders on the way down in future market cycles.

**Gerald Loeb.** He saw a parallel to the market top in 1937 with the market top of 1929, when he had sidestepped the Great Crash. That allowed him to sell and keep his profits in 1937. He also knew that the bottom to the market in 1942 looked very similar to the market bottom in 1932. He then saw similarities to the 1943 market top from prior market tops that had occurred in both 1937 and 1939. That knowledge helped him make the correct decisions during that market period.

**Jack Dreyfus.** He saw a market topping in 1957 after a very strong and sustained advance that looked very similar to the market situation he had studied back in 1937, then very early in his career, when he went against the advice of the experienced voice in his firm. Dreyfus was right on both accounts, and he retained big profits and avoided large potential losses.

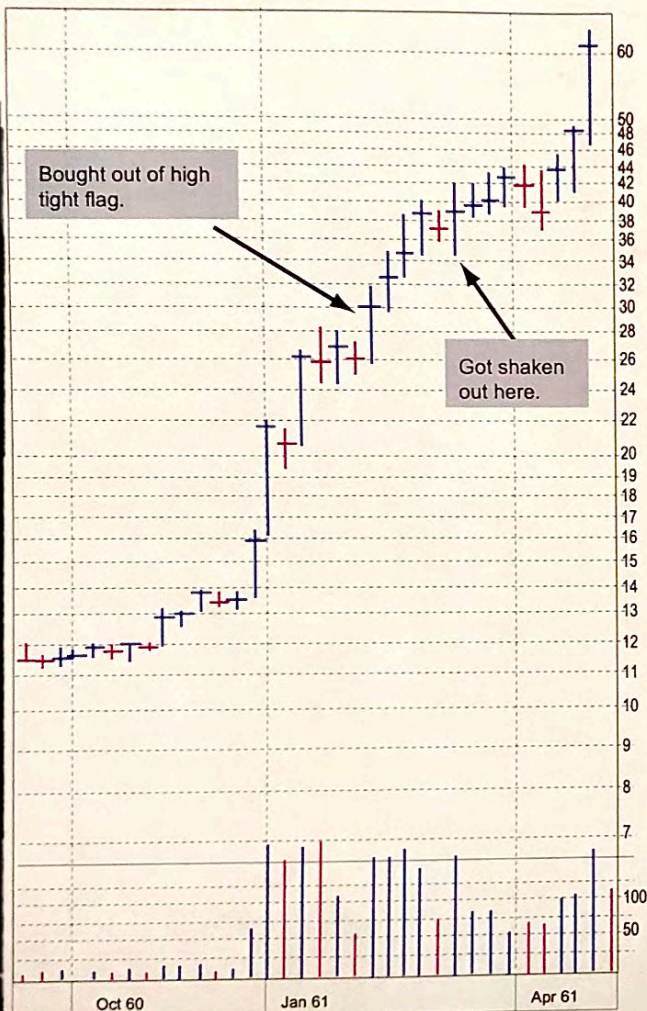
**William J. O'Neil.** His first great success came from his study of the 1962 market top and how it looked like the market top that Livermore saw in 1907. So not only does O'Neil use his own experience, he also is familiar with market cycles that occurred well before his time and that other great stock traders were involved in as well. O'Neil's comments in early 1982 from his ad placement in the Wall Street Journal used prior market cycle precedents that looked similar to that time in 1982. Those that looked similar were from 1974, 1949 and 1932. He also avoided the worst single day in market history (in October 1987) because the market topped in August of that year



(when he sold and went to a 100% cash position) and it reminded him of the market tops of 1907 and 1962, thereby forcing him to sell stocks and raise cash. O'Neil also uses similar cycle and chart patterns in stocks as well, as that is a major component of his CAN SLIM system. His big win in Pic'N Save initially reminded him of the same early action that occurred in Kmart and Jack Eckerd. His huge win in AOL reminded him of the time he missed Fairchild Camera's big move 33 years earlier. Both followed the exact same pattern. Those are just two examples of hundreds of successful stocks that O'Neil has bought over the years in which he related current price action to other great stocks in the past. In fact, historical models of the best stock market winners in history is the cornerstone to his successful CAN SLIM investment method and is the real key to how he expanded on and refined the strategies of his predecessors.

**Jim Roppel.** He constantly refers to charts in his study of price and volume action of the best historical winners in stock market history. He also always refers to historical charts of specific market environments. These references to history are a daily part of his study and observation disciplines that keep him in tune with the current market and have led to many of his successes. Common Strategies of the Best Traders  
Disciplined Rules & Trading Plans from history that lead to Consistent Results:

**Certainteed 1961**



**Syntex 1964**

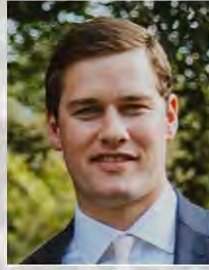




## Modern Day Top Traders



Eve Boboch



Oliver Kell



Matt Caruso



Ryan Pierpont

### Eve Boboch

Portfolio Manager at Roppel Capital Management

Produced a triple-digit return in 2020

Big winners in 2020 were Peloton and Tesla

Mentors are William O'Neil and Jim Roppel

Co-authored *The Lifecycle Trade: How To Win At Trading IPOs And Super Growth Stocks* published in 2018

### Oliver Kell

Broke the record for the US Investing Championship in 2020 with a 941% return

Mentors were Jesse Livermore, Nicolas Darvas, and William O'Neil

Big winners in 2020 were Livongo Health (up 440%), Fastly (up 226%), and Tesla (up numerous times in the triple digits that contributed most of his 941% return in 2020)

Wrote his story *Victory In Stock Trading* that was published in 2021

### Matt Caruso

Placed fourth in the 2020 US Investing Championship with a 346% return

Mentors include Jesse Livermore and William O'Neil

Big winners in 2020 were Livongo Health (up 405%), Fastly (up 231%), and The Trade Desk (up 85%)

Offers a complete stock trading education service called Caruso Insights

### Ryan Pierpont

Placed third in both the 2020 (+448%) and 2021 (+201%) US Investing Championships

Big winners in 2020 included Tesla which he swing traded around and accounted for most of his return that year

Big winners in 2021 included Flugent Genetics, Up Fintech Holdings, Futu Holdings, and EHang Holdings among others



## Common Strategies of the Best Traders

Strict Risk Management

Market Trend Analysis - NH/NL, moving average support/resistance

Sit Out Power - Patience and waiting for the right opportunities is key

Chart & Stage Analysis Study - Historic patterns repeat themselves

New Leadership

Pyramiding versus Averaging

Strict Buy and Sell Rules - Don't bend or break them - this keeps emotions under control

Focus and Concentration - Eliminate all the noise

Controlled Confidence - Watch for euphoria as it creeps in

Historical Knowledge - Understand how markets work, what worked in the past and then tweak the common successful strategies of the best to fit your own personality

Post Analysis - You'll learn more from your own trades, especially the losses, than anything else



## Monster Stock Templates

A monster stock is basically a stock that at least doubles in price in a short time frame. A short time frame in the stock market, as far as history with monster stocks is concerned, usually lasts between 4 and 18 months. Most will land somewhere in the middle of that range as the meatiest part of a fast-advancing monster stock usually occurs between 6 and 12 months of its major move. And many of the truly giant monster stocks will triple, quadruple, or even move up a thousand percent or more in those short time frames. If you know how to identify and handle the next monster stock, you could materially change your life from a financial perspective. And here's a big clue for you when hunting for the next monster stock. They all possess similar characteristics, in both strong fundamental statistics and in chart-like appearance, just before they take off, when they run up in price, and later when they top and start to decline and end their incredible runs.

Whether its coming up and over a pivot point through a resistance area that Livermore discovered, or a breakthrough on a Dar-Card from Darvas' Box Theory, or a breakout from a common basing pattern from O'Neil's studies, when stocks start to move on momentum with positive price and volume action when the overall market is in an uptrend, that is when the true market leaders become the next monster stocks. Training your "chart eye" is key as Richard Schabacker once described this as "The Pictorial Aspect of Charts."

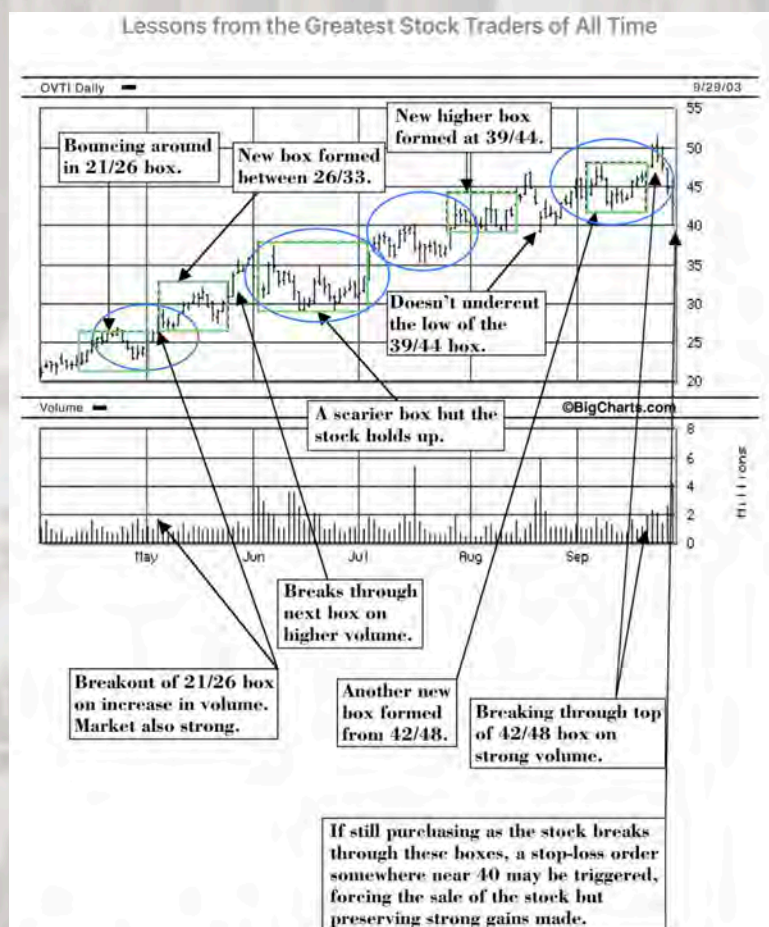
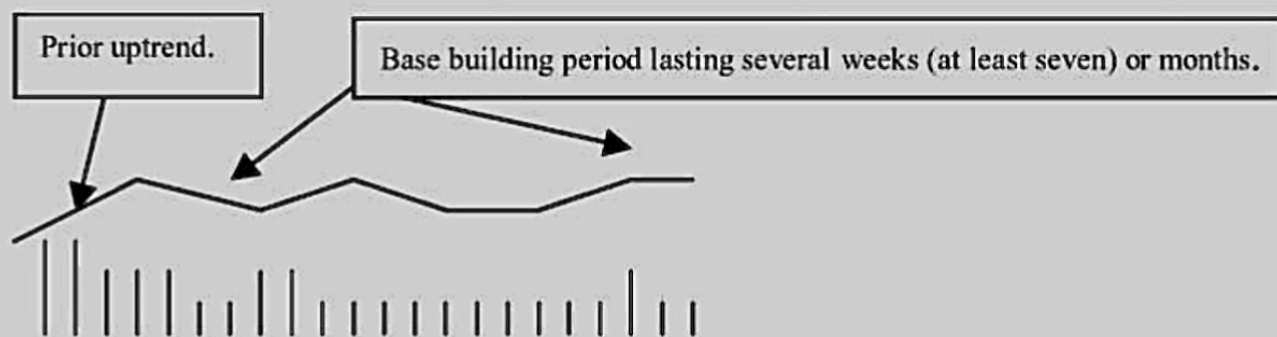


Figure 4-1 Omnivision Technologies. April 2003 through September 2003. Source: [www.bigcharts.com](http://www.bigcharts.com).



Healthy base building is the key to the best setups and hence the best breakouts. William J. O'Neil has proven over the decades through his meticulous research that three or four basic base patterns show up time and again no matter what decade it is in the market. For the templates here, we will concentrate on the most popular cup-with-handle pattern. Look for this type of setup especially when the market is sideways or in a downtrend, as stocks that form this price pattern are holding up the best and will most likely be the next leaders when the market turns around. You are looking for mostly sideways basing patterns that result in either first-or second-stage bases. A famous Wall Street saying is "the flatter the base, the higher in space." Limit your search to just the classic patterns that stocks form before they explode into monster stocks. If you keep it to the more popular ones that have showed up time and again for decades, you'll keep the work simple. Also, keep in mind that the patterns stocks take reflect human emotions as time goes through various cycles. The basing patterns are just reflections of market reactions from traders. They look similar but they don't have to be exact. That is a key point - bases look similar but they won't be exact all the time. And they don't need to - watch the areas and price and volume action. That is more important. Richard Wyckoff once wrote - When you study charts look for the motive behind the action which the chart portrays. Aim to interpret the behavior of the market and of stocks, not the fanciful patterns which the charts may accidentally form. David Ryan stated that he draws lines on charts based on price and volume action instead of looking for perfect bases as there are no perfect patterns.





## Step One - Basing Set Ups

Four basic patterns are all you really need: (1) cup-with-handle or cup-without-handle, (2) flat base, (3) saucer, and (4) double-bottom. That keeps the technical pattern part of the market simplistic. Also, just look back at the stocks throughout history when I show the base building period. You would have noticed their sideways price or downward sloping and then rising action before they leapt forward to start their impressive price runs. When the market moved, many of those were the leading price performance stocks that became the true monster stocks. Many of the best monster stocks experienced a prior uptrend up to 30 percent or more before they formed their sound base. That prior uptrend shows initial interest that is strong. This activity can also indicate that a stock that took off, and one you may have missed getting in on, is building a healthy historic base to then perhaps become the next monster stock; it offers you a chance to get in right near the powerful breakout point.



Cup-with-handle or saucer base example



Double-bottom base example



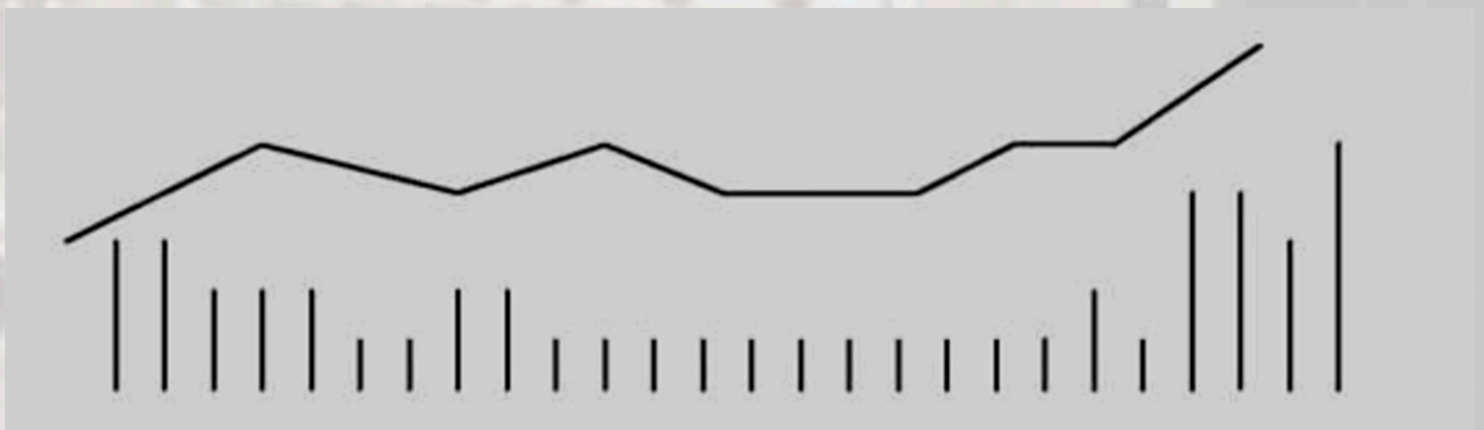
The flat base example



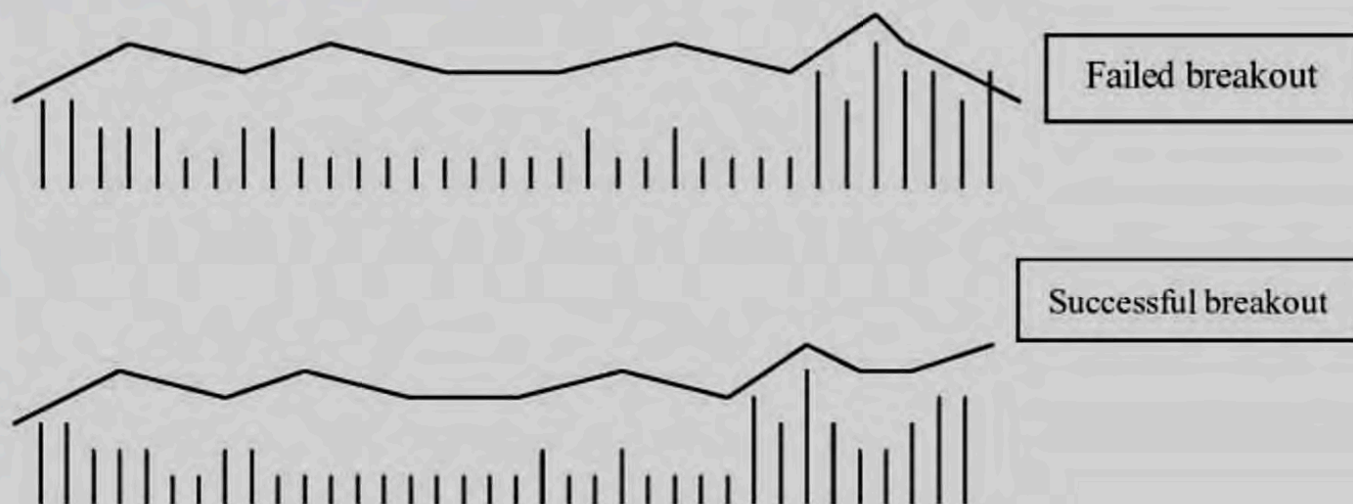
## Step Two - Breakouts

The next major step in finding the next monster stock is the breakout from a decent basing pattern - it should scream loud and clear. Price and volume are the key to everything - major uptrends with prices rising on big volume and then consolidations on lower volume. It should be highly visible with volume surging higher as big traders and investors take positions and the stock breaks up and out of a base. This becomes the thrust to begin the monster positions and the stock breaks up and out of a base. This becomes the thrust to begin the monster price run-up. They don't all succeed, but the ones that do, do so with tremendous power. The power comes in the form of increased volume, well above average, which indicates heavy demand from big investors. The major monster stocks break out of the gate and don't look back until they top many months, or in some cases, years later. A surging RS line will clearly indicate the outperforming feature of the stock and these monster stocks will be the real leaders of the ensuing uptrend. Fundamentals will be strong and get stronger, usually a clue to some new innovative product or service introduction with the price run-up.

If the stock that breaks out with the market (or shortly thereafter) and a confirmed uptrend continues higher, your odds of having a true monster stock will increase. If the stock falls back to its breakout point, it still could turn out to be a winner. However, if it falls below that breakout point and then continues down, you need to sell out, minimize your loss, and look for other opportunities. The very best monster stocks do not normally drop below their initial buy points. In fact, the very best ones just continue rising, though many will consolidate their initial gains and then take off from there. If you remember this rule, it could save you much frustration and monetary pain. The best usually blast off and just continue going higher like a rocket taking off for flight. The best flights continue higher: if they turn tail, there is usually disaster right around the corner. It's the same with monster stocks.



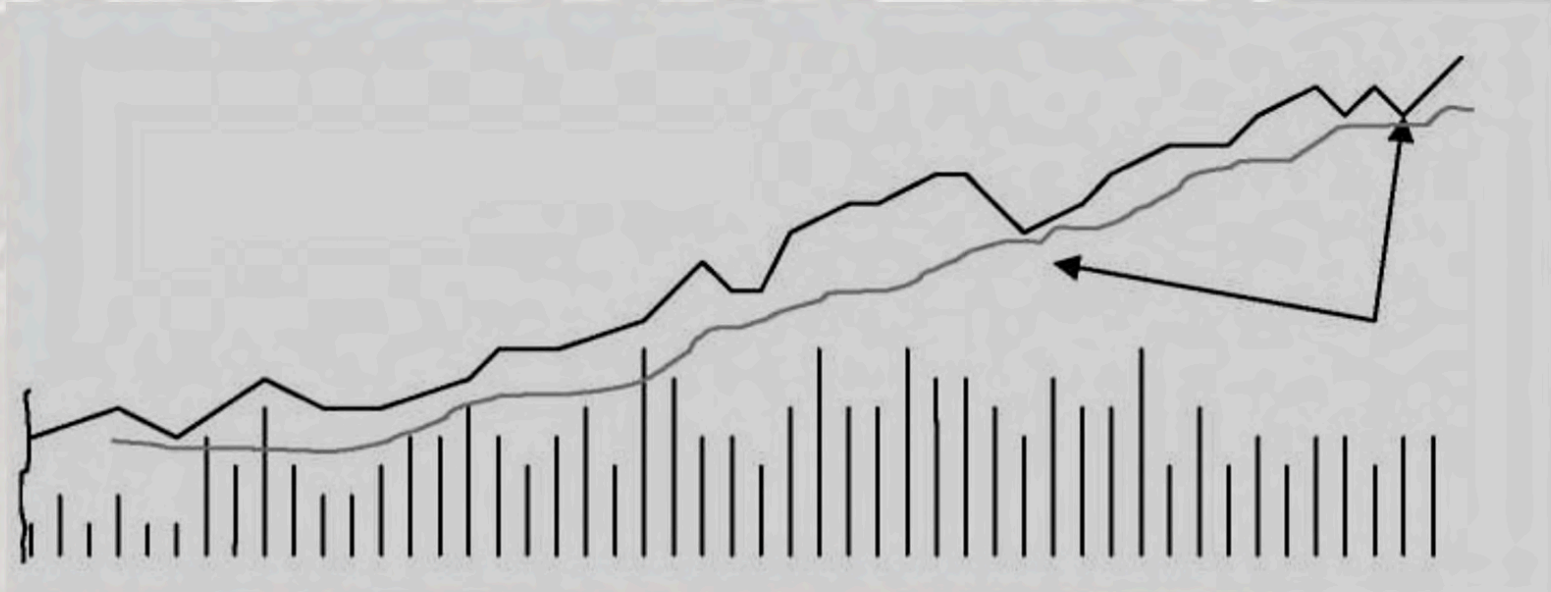
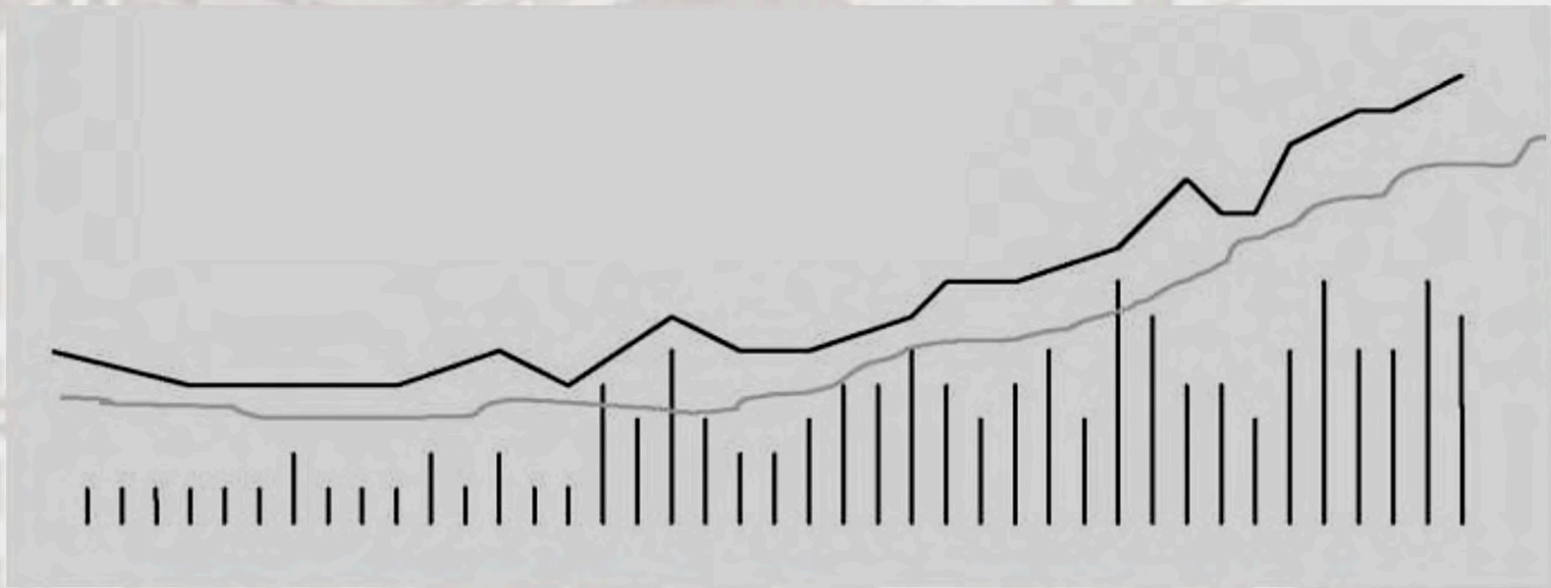




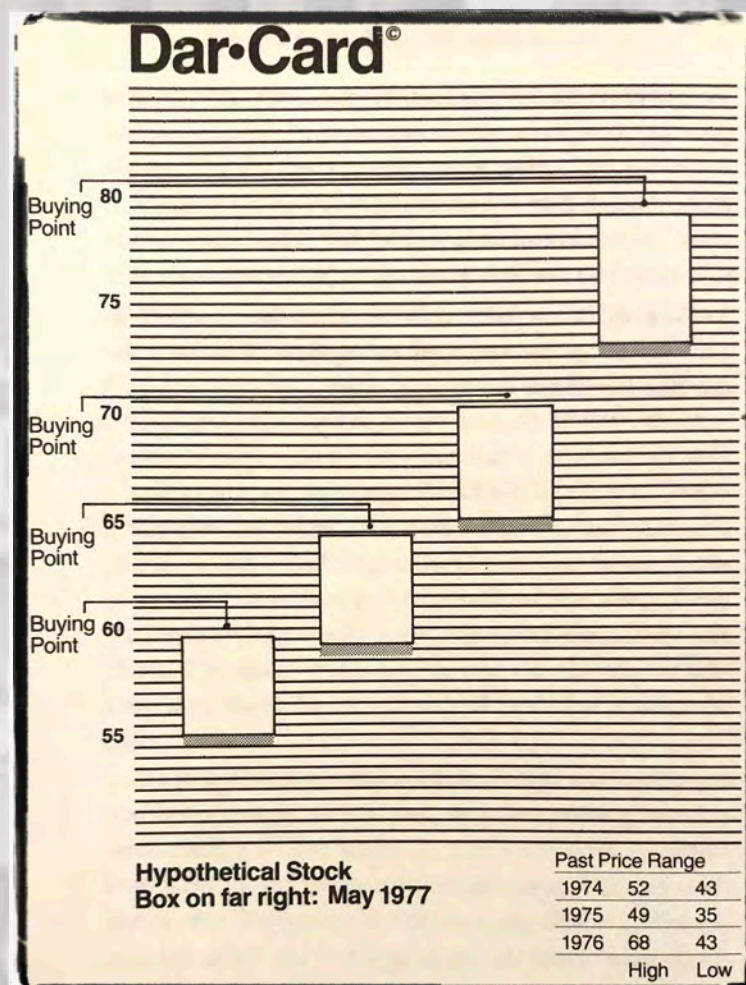
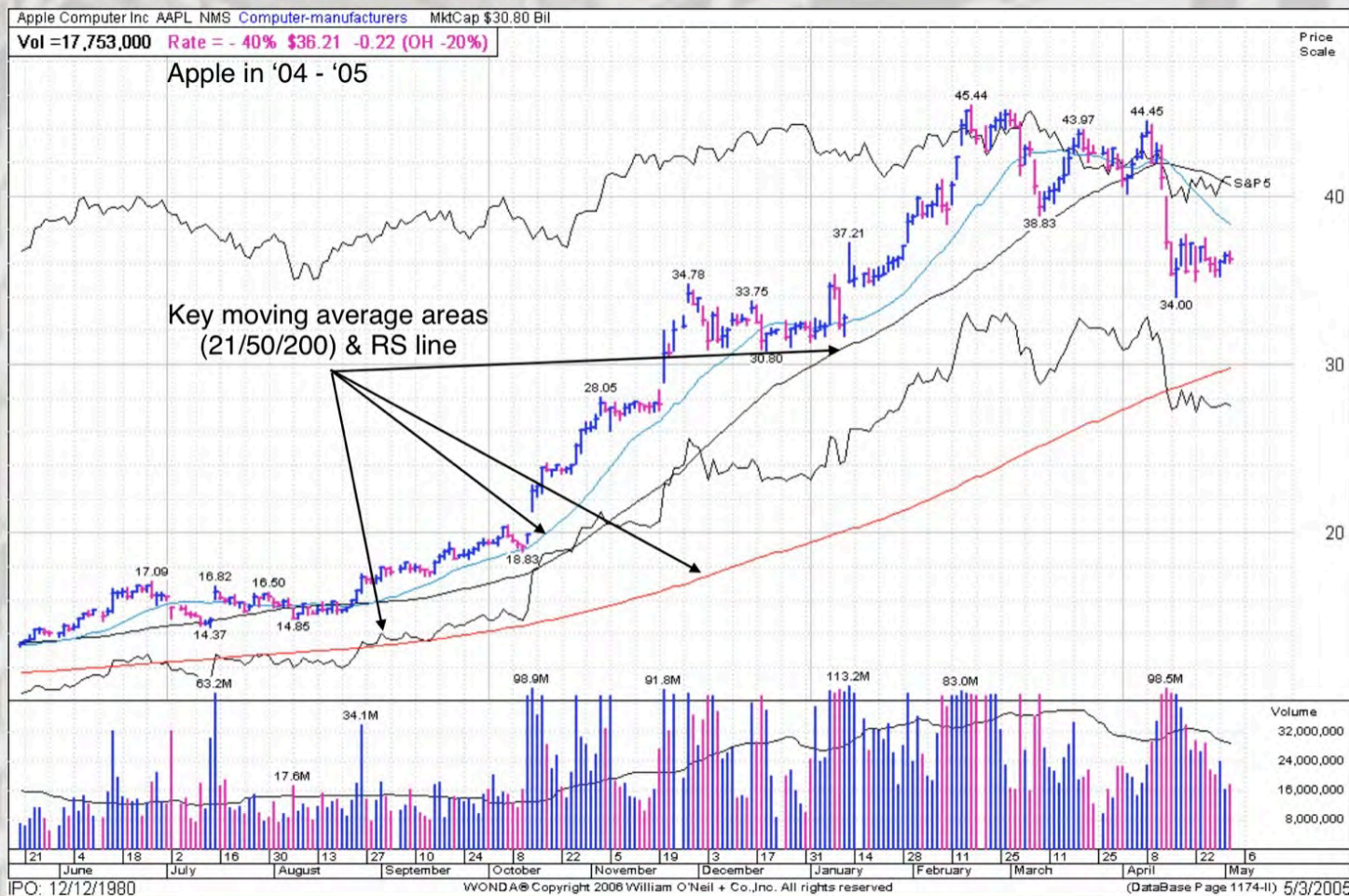
### Step Three - Run Ups

The following template shows a healthy monster stock rising on strong volume and pulling back or consolidating prior gains with lower volume, which implies that the holders are willing to sit with the stock. The line below the stock price line is the stock's 50-day moving average line. The best stocks stay above this "out-of-bounds" line. In fact, the very best stocks stay above their 21-day moving average lines. That implies a very healthy uptrend. Some can and do dip below that line once in a while but if the volume is just average or below, there is usually no need for concern. It's when they stay under the line for quite some time or they slice through that support line on heavy volume that the big money is leaving the stock and so should you. Throughout the run-up the truly great monster stocks will pull back calmly to that line and then many times bounce up off it on bigger volume. That is a key place to add more shares to your position, as the big investors are doing just that. Then, when its uptrend continues, more investors or previous big traders add to their positions, and that activity gives the stock even more power to continue on and add to its massive gain.







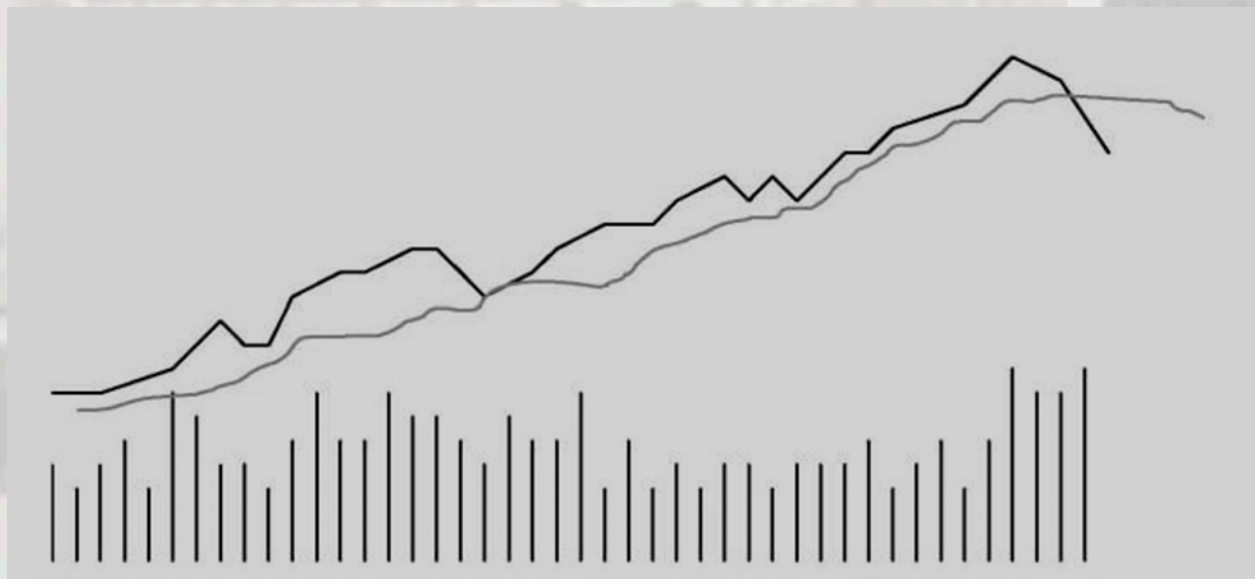


Source: Darvas, Nicolas. *You Can Still Make It In The Market*. Playboy Press, 1977. All rights reserved.



## Step Four - Tops

Usually when things seem like they can't get any better, they won't. That is a key warning to heed in the stock market. It's at or near the top that the monster stocks will really play with your emotional state of mind. Earnings, sales, and just about everything will be top notch. You'll probably be beating your chest and patting yourself on the back for being the greatest stock trader ever and telling everyone just how great your stock skill level is. Then, suddenly out of nowhere, the correction hits. And it hits hard. But because your ego is still so high, you hesitate and second-guess. That is exactly the wrong thing to do. The correct thing to do is watch the price and volume action closely and when the climax run begins you need to be planning your exit strategy, not your expense strategy (that is, how you're going to spend all the money you just made). The best monster stock handlers do that - they focus on the exit when everybody at the top is really talking up the stock. By the time a monster stock tops, everyone is so excited about it and knows about it that the big money that drove it up for most of its run will be looking to lock in their impressive gains. It's the climax run that will be the end-all for the stock. Then when it slices through that 50-day moving average line that it used as support all the way up, it is time to go. Typically there are two examples of when monster stocks top, though many can put the two together when a stock runs up in a climax run and then comes down fast and hard through the 50-day line. Other times the climax run will tire the stock and it will try to make another high but it will then fail and then the stock later collapses. Put the rules before your emotions when it's time to sell. Even though the fundamentals will still look great, don't keep thinking that the stock will turn around-it rarely does. This is the point in a monster stock's run where the men are separated from the boys. Throughout history the very best stock operators are able to handle the challenging task of selling correctly with very little or no emotion. They stay objective and they know the past, so they know what they should and need to do in order to lock in the profit they have made.





A climax run:



## Step Five - Downtrends

Breakdowns in leading stocks topping can take them down fast, especially when the general market tops and begins a downtrend. Examples of other recent ones are shown near the end of the course.



## New Highs/New Lows - a vital stat worth tracking

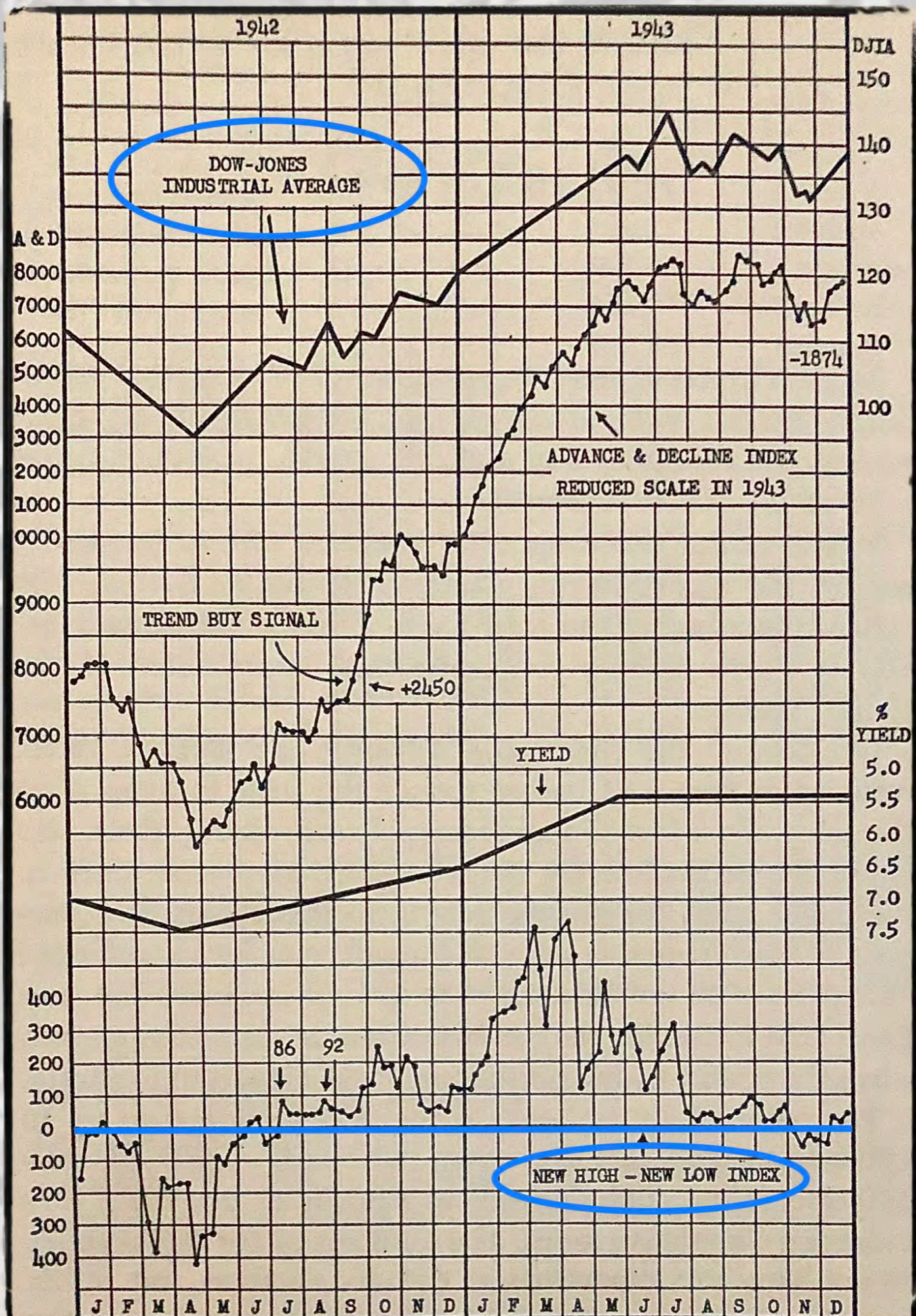
doing. It's important to point out that this is still a secondary indicator. Nothing beats daily observations of the price and overall volume action in the main market indexes along with the stocks that are leading an advance or coming under selling pressure during a decline. But the H/L/G has a solid history of matching or leading market action. If you think about it, it makes sense. You can't have a strong uptrending market without more stocks making new highs than those making new lows and vice versa. And there are different stages and degrees of market uptrends and downtrends. Some may be stronger or weaker than others. Some are choppy and much more difficult to maneuver through. Many times, the level or trend of positive and/or negative days or weeks in a row of the H/L/G helps determine the level of health of the overall market. There certainly are trends to it and levels of excessiveness and weakness within it have matched up to the action of the market with surprising accuracy. I won't go into all the details of those in this book. Dr. Alexander Elder's book (see below) describes many of those levels.

I'm not the first person to see this correlation by any means. The ratio has been around for decades and is used by many stock research firms regularly. Gilbert Haller wrote a book in 1965 called *The Haller Theory of Stock Market Trends*. His extensive study of the markets focused on the importance of the ratio of new highs to new lows. He states that he "quickly charted a NH-NL Index covering several years, and found that it was indeed an important factor in measuring technical market strength or weakness." Figure I-2 is from his book. He calculated his ratio on a weekly basis. The year 1960 was mostly a down year for the market, with several large whipsawing trends in the middle of that year. You can see how his NH-NL Index correlated with that trend. The year 1961 produced a very strong uptrend through most of May and then the market corrected hard starting in late May, which lasted through late July. A strong bounce then led to choppy trading until December when another strong correction hit the market. You can clearly see in figure I-2 how his index of weekly net new highs and new lows correlated directly with the actions of the market during those two years, as just one example. He also followed the number of stocks that advanced and declined on a weekly basis and calculated what he called his Advance and Decline Index.

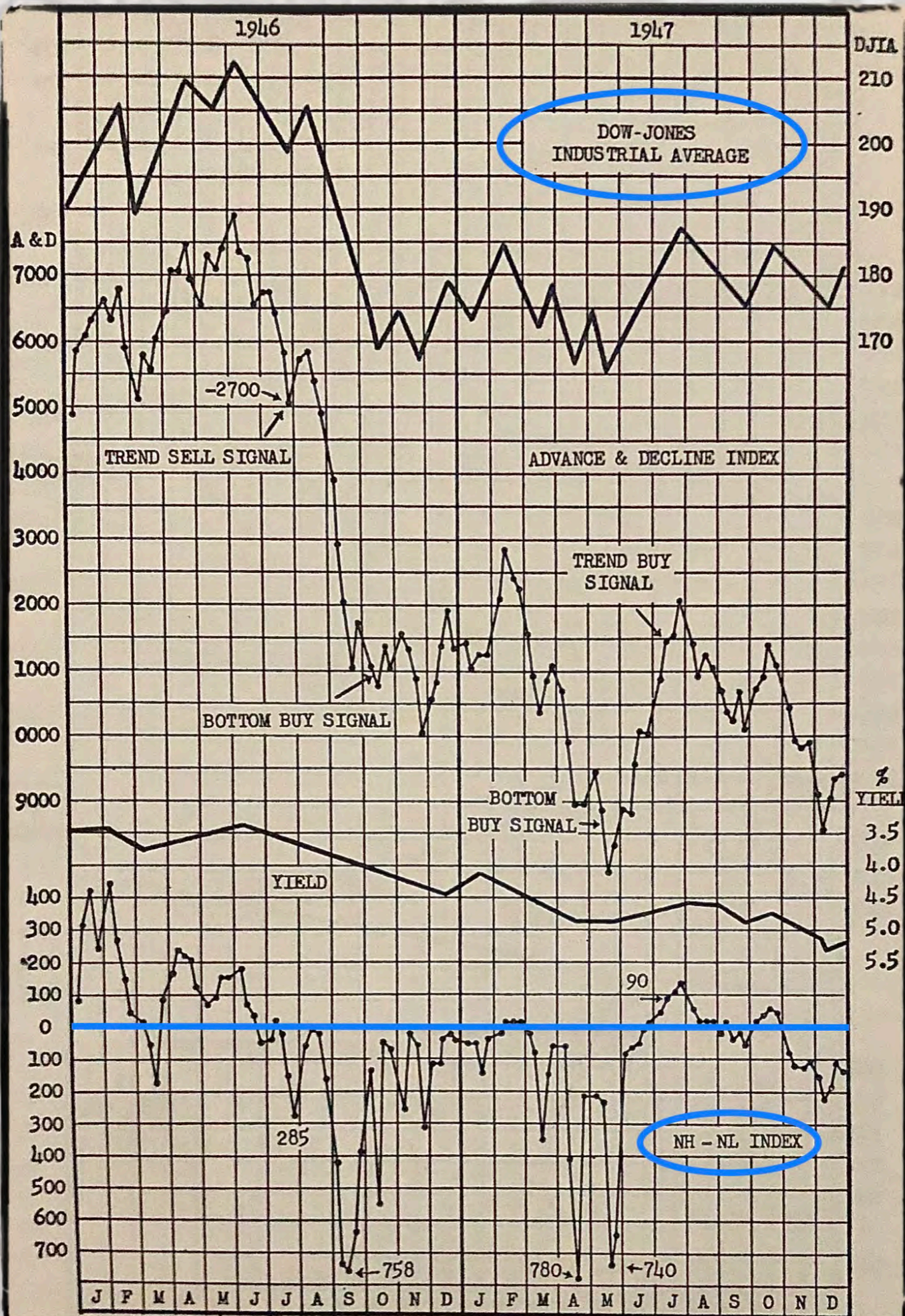
Dr. Alexander Elder, an author of many excellent market books, wrote one of his books dedicated to the study called *The New High - New Low Index* (that I highly recommend). A few key points from that book include his discovery of how the index can be a leading indicator of the stock market by days or weeks. His research shows that certain timing of buying, selling, or doing nothing with stocks, can improve by following the trend and level of the index. Also, based on the level and activity of the index, one can gauge how strong or weak a trend in the market is likely to continue in either direction. You will see how accurate this has been during the two years covered in this book.

Gerald Loeb, who in my opinion was one of most successful traders ever for over five decades, covering the 1920s through the 1970s, used the ratio regularly as well. Many top traders today track the ratio daily and compare it to the action of the overall market. I use the

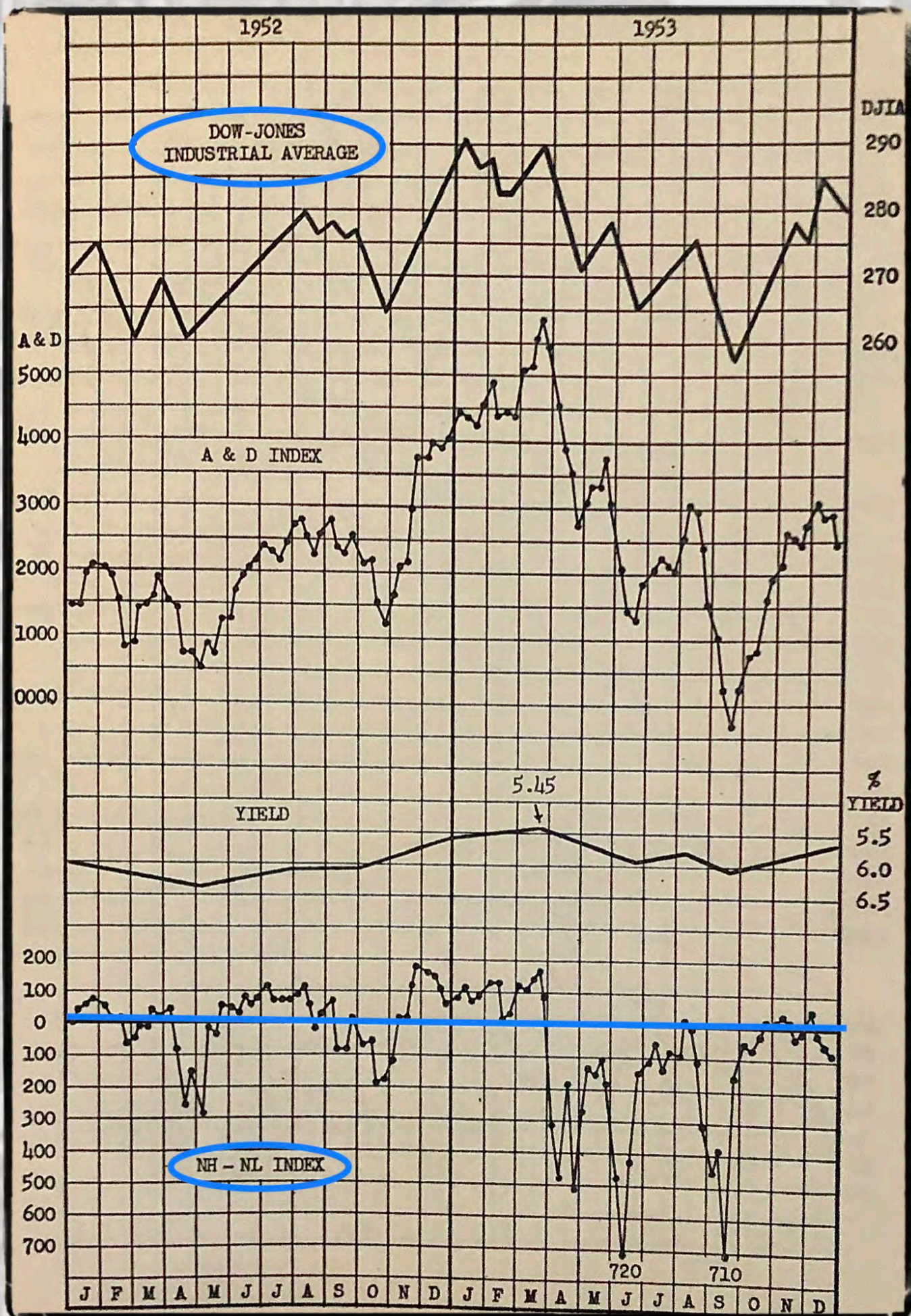




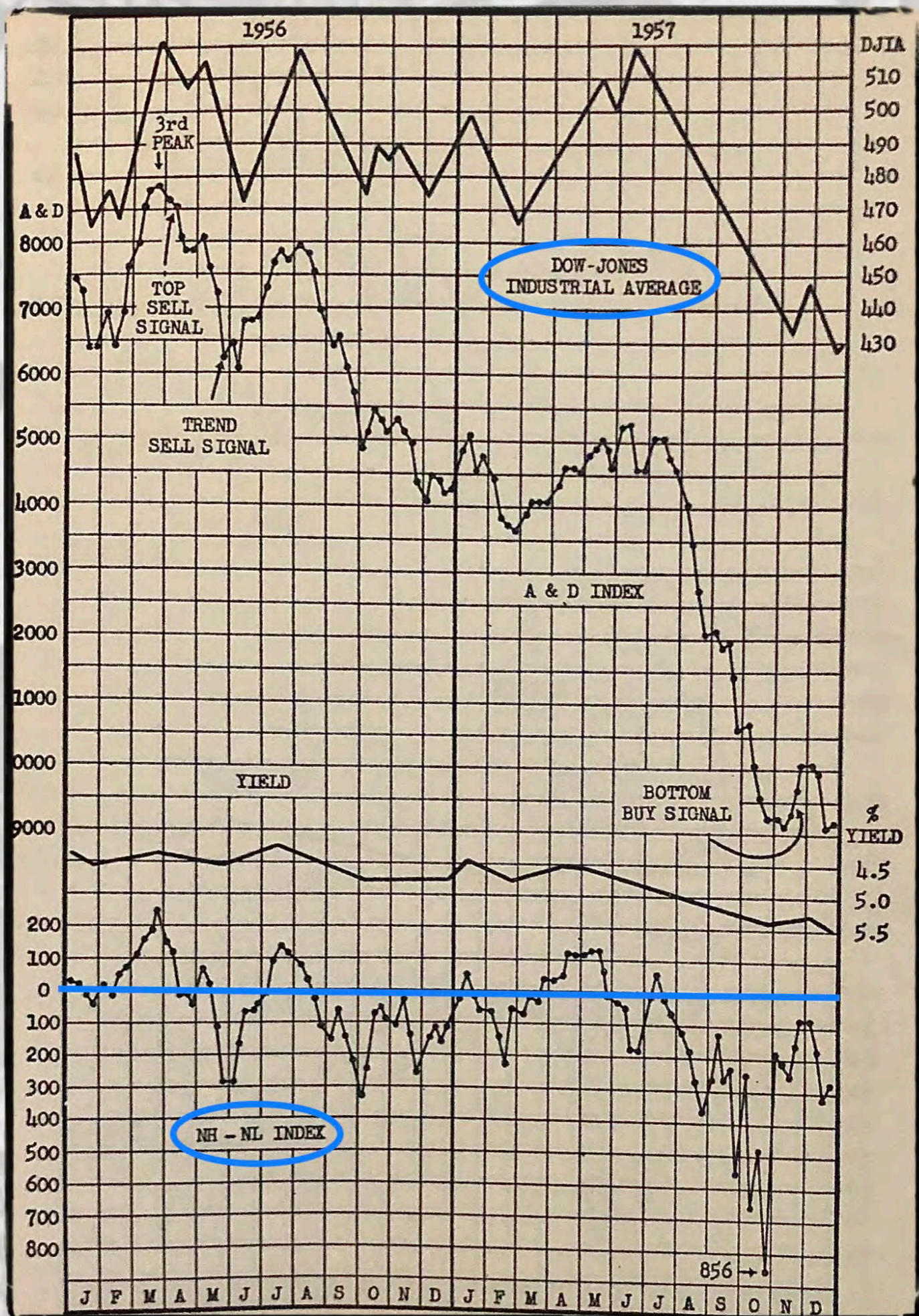




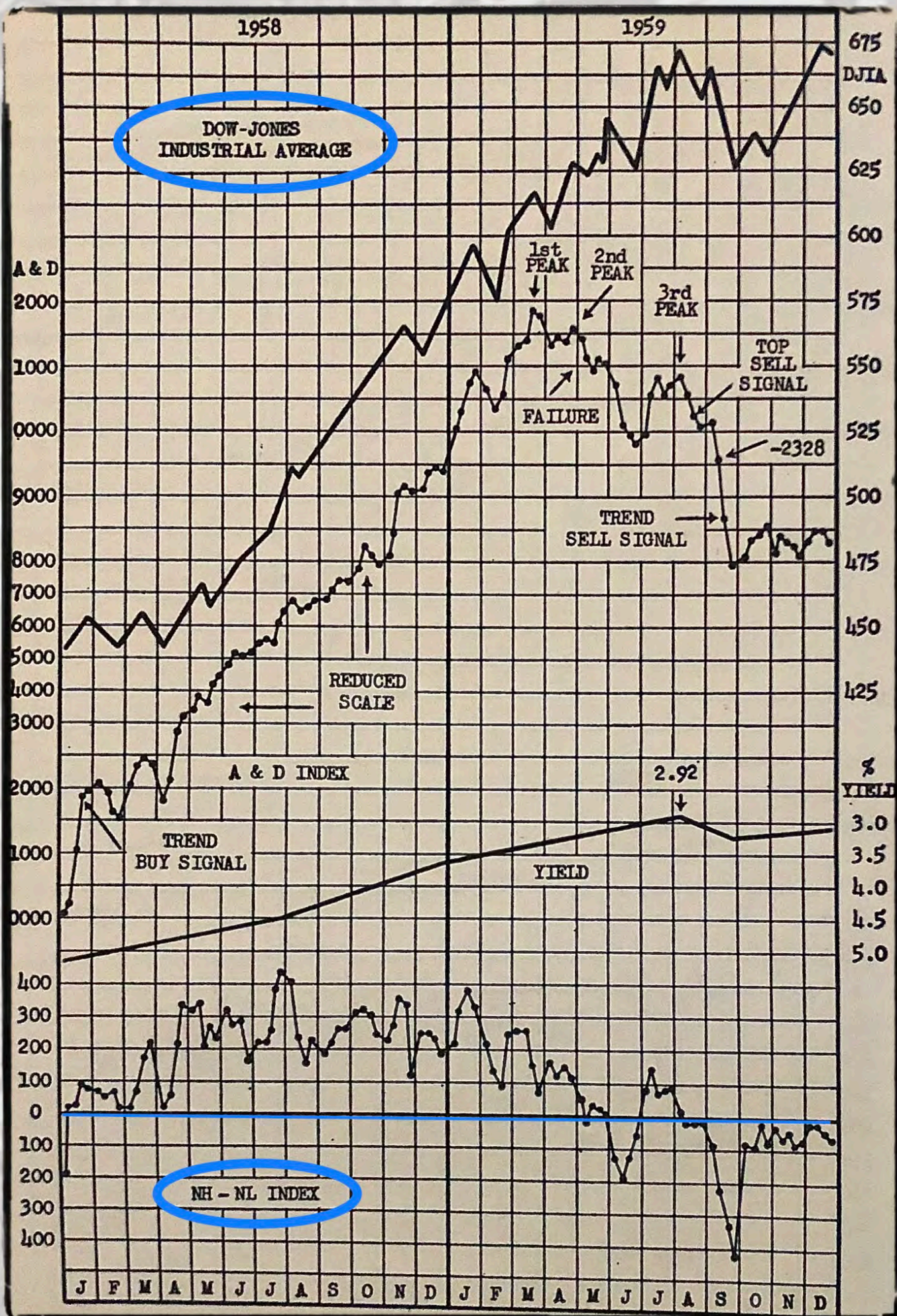




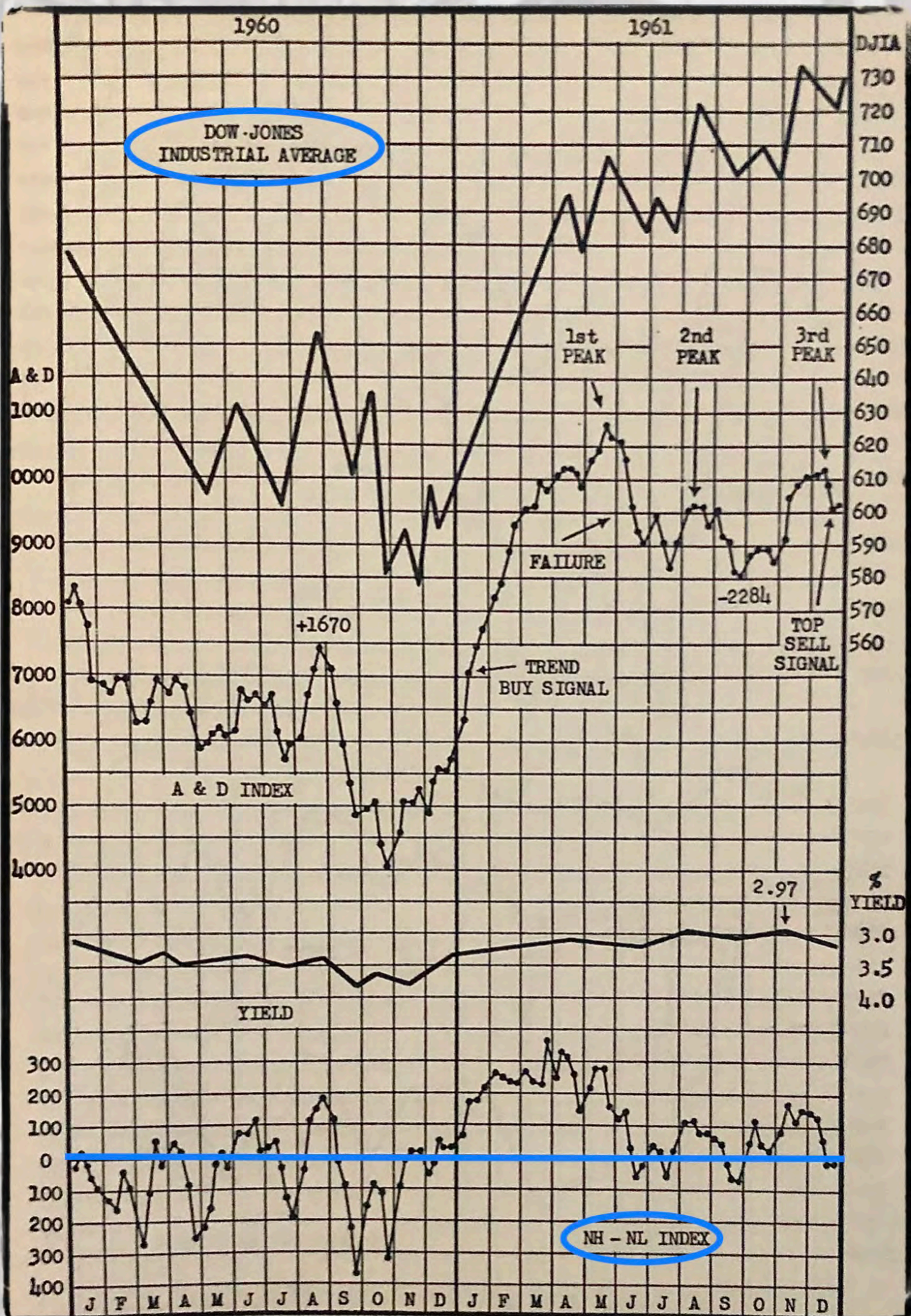






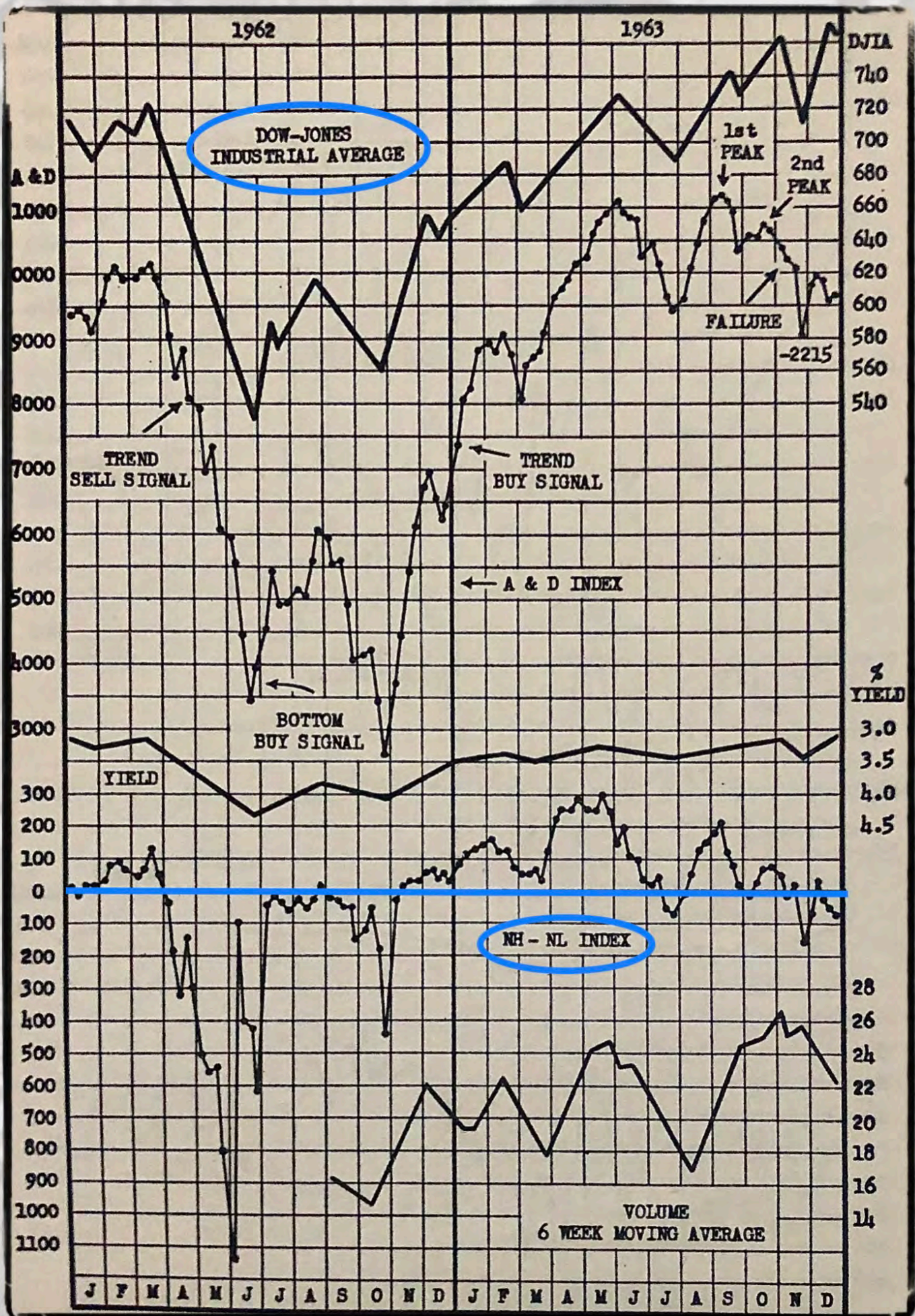






Source: Haller, Gilbert. *The Haller Theory of Stock Market Trends*. Gilbert Haller, 1965. All rights reserved.







From 'How Legendary Traders Made Millions' describing Gerald Loeb and his take on the market during the early part of 1961 after the bear market of 1960.

and the market seemed to have left behind the shaky market of late 1960 and focused on the future, which they believed showed promise. Kennedy was talking of stimulating growth through tax incentives, and mutual funds were still growing rapidly, which provided buying power in the market. Gerald Loeb became very bullish at this time. He noted, while following the market's action, that a group of leading stocks possessed very strong fundamentals and the majority of the up days in the market were accompanied by heavy volume. He also viewed the relationship between new price highs (over the past year) against new price lows as a clear indication of the strength or weakness of the market. During this early time in 1961 he noted many days when the new high list would dwarf the new low list. For example, on the day he announced that the market was ripe for him to become very bullish, the new highs that day hit 193, while new lows were only 33.

From 'How Legendary Traders Made Millions' showing some of the brutal days of the 1962 bear market that Darvas, Loeb, and O'Neil were watching from the sidelines (actually O'Neil held a few short positions).

*Wed. May 23.* The Dow fell 9.82 points to 626 (lowest level in 16 months).

Volume jumped to 5.4 million shares. Leaders IBM and Xerox sold off at \$19¾ and nearly \$10, respectively. There were 460 new 52-week lows and only 5 new highs.

*Thu. May 24.* Dow was up in the morning, and then fell and ended lower.

*Fri. May 25.* The Dow sank 10.68 points, or 4.2%, as 6.4 million shares traded. There were 695 new lows. It was the worst week for the Dow since 1929, as the index shed 38.82 points. IBM lost 53 points for the week. Because of the volume, the tape was running a half hour late.

*Mon. May 28.* Selling intensified as the Dow fell nearly 35 points, or nearly 6%. Volume was huge at over nine million shares, the first time since 1933 and this also delayed the tape.

*Tue. May 29.* The market opened lower on heavy volume (down 2%) but reversed late in the day as mutual funds stepped in. The Dow recovered much of the prior day's loss and finished 4.7% higher as volume hit 14.7 million shares, the most since October 1929.



From Darvas' book 'You Can Still Make It In The Market.' Notice how he was watching the activity of new highs and lows and how a particular stock was standing out.

I first noticed Moore-McCormack when it appeared in the list of new highs in April 1974. I paid no particular attention to it at the time but merely made a mental note that it was curious that a stock should be hitting new highs at a time when the majority of stocks were falling.

As the market continued to drop and the lists of new lows grew depressingly longer and longer, often running into many hundreds, Moore-McCormack kept popping up in the list of new highs. For example, in the week ending June 28 when 637 stocks on the New York Stock Exchange reached new lows Moore-McCormack was one of only thirteen stocks that hit new highs. I noticed that the stock continued to hit new highs in July and August, often accompanied by enormous spurts in trading volume. I could hardly believe it, but as the market was now dropping precipitously I was too scared to do anything about it anyway. However, when at the end of August Moore-McCormack again reached a new high in a week when no fewer than 1,012 stocks reached new lows I decided to take a closer look at this

Source: Darvas, Nicolas. *You Can Still Make It In The Market*. Playboy Press, 1977. All rights reserved.

**I want to stress the importance of keeping in touch with the new high-new low figures.** There are actually a few different sets of figures and each is helpful in its own way. The most commonly followed high-low numbers are the daily ones published each morning in *The Wall Street Journal* and most local newspapers. These figures, however, are based on all stocks, including preferreds. While they are helpful, I prefer the common-stock-only data. They are harder to obtain but are available in some papers such as *Investor's Daily*. **These figures are excellent for traders to track on a daily basis, as they often foreshadow very meaningful short-to-intermediate-term moves.** I track them in *PTR* along with all of the other indicators that we've been going over. Since I want you to get the maximum return on your limited-time investment, I suggest you track the weekly figures rather than the daily ones. The weekly new highs and new lows will point out much more meaningful moves and also filter out a lot of trading static that investors don't need to be concerned with. Also, you'll save a lot of time in keeping up the indicator.

Source: Weinstein, Stan. *Secrets For Profiting In Bull and Bear Markets*. © Stan Weinstein, 1988. All rights reserved.







Dr. Alexander Elder, an author of many excellent market books, wrote one of his books dedicated to the study called *The New High – New Low Index* (that I highly recommend). A few key points from that book include his discovery of how the index can be a leading indicator of the stock market by days or weeks. His research shows that certain timing of buying, selling, or doing nothing with stocks, can improve by following the trend and level of the index. Also, based on the level and activity of the index, one can gauge how strong or weak a trend in the market is likely to continue in either direction.

The stock market kept marching to new peaks in 2007, but the weekly NH-NL could never rise to the +2,500 level. This meant that the rally was becoming narrow, the bullish leadership weakening, and one should expect trouble ahead. This absence of a bull market confirmation was deafening in its silence.

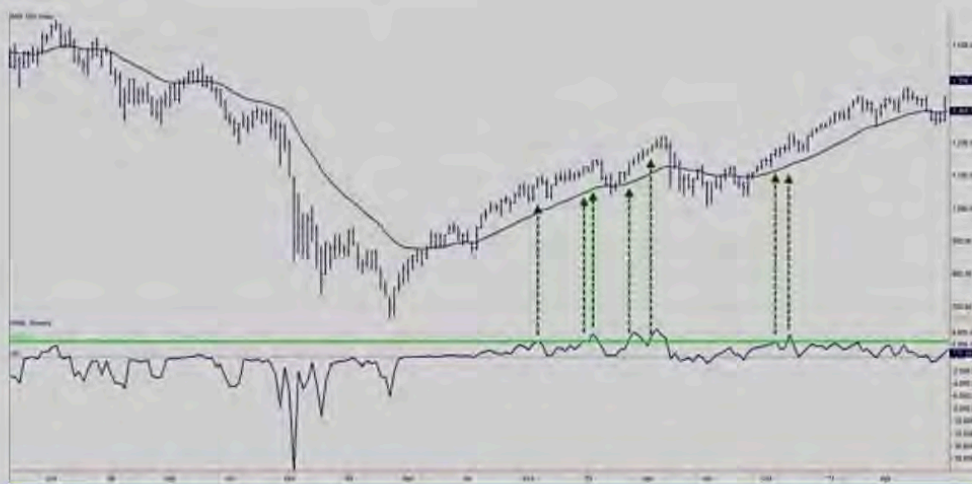


Figure 05: weekly S&P500 and NH-NL (Series 1, chart 3)

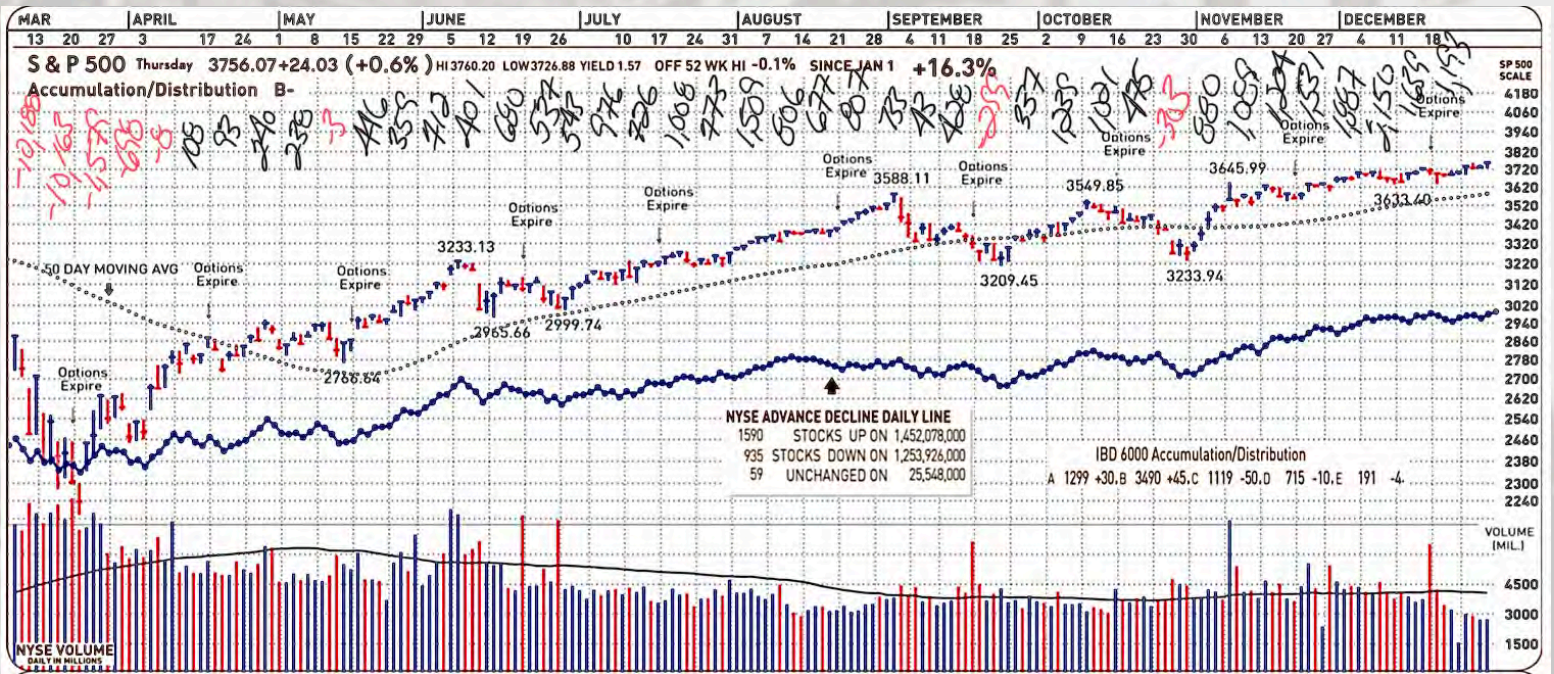
Green horizontal line = NH-NL+2,500.

Following the 2007 – 2009 bear market, a new bull market began in March 2009. The weekly NH-NL confirmations has been flashing confirmation every few months like clockwork. Only at the right edge of the screen there is a sign of potential trouble: the bull market has risen to a new bull peak, while the NH-NL could not rise above 2,500. This warning preceded a severe correction that began in the summer of 2011 and lasted for the rest of that year.

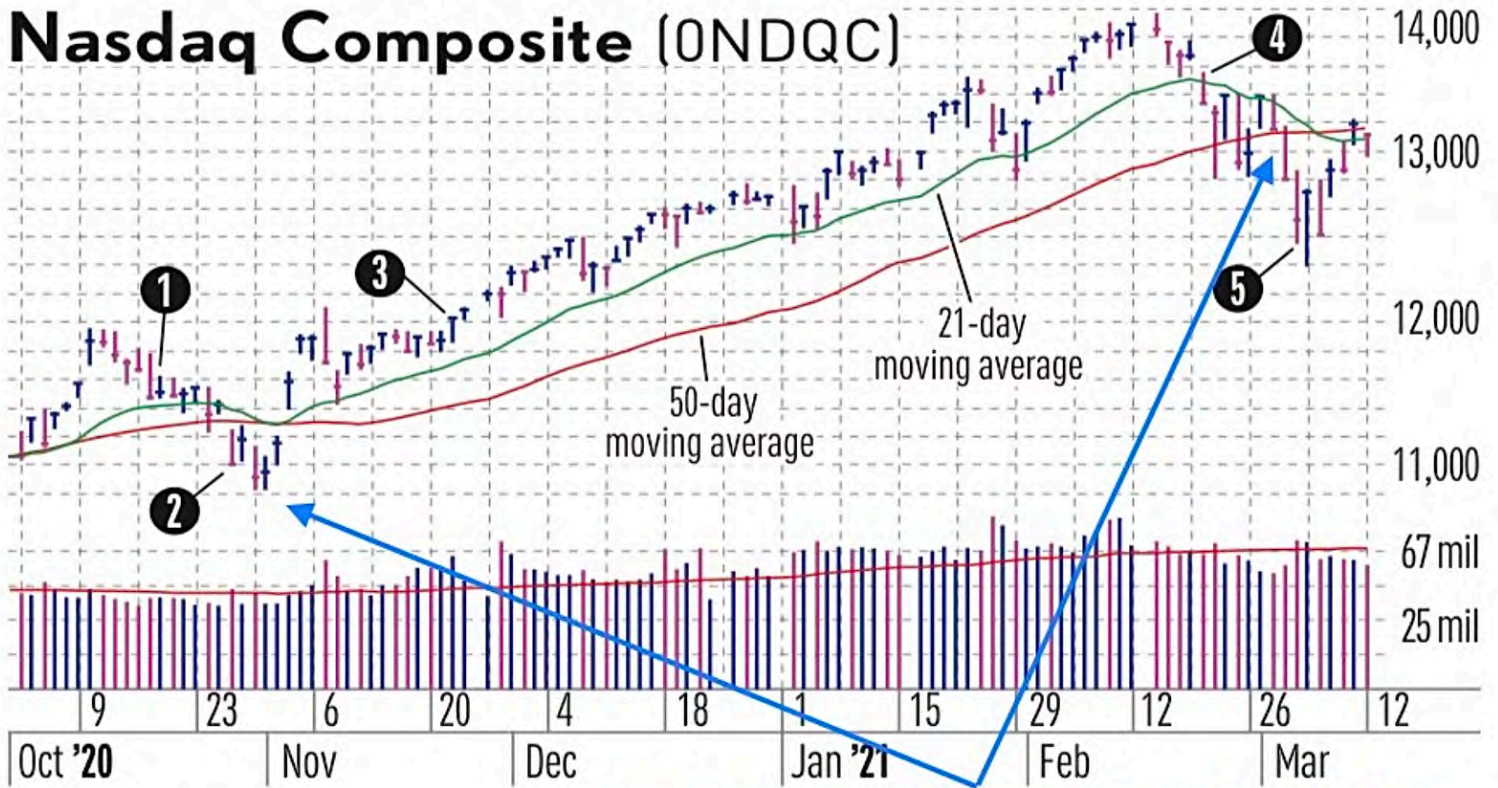








## Nasdaq Composite (0NDQC)



## INVESTOR'S CORNER

17 weeks in a row and not one day did New Lows exceed New Highs - average weekly net differential was +1,912 - that's strong!



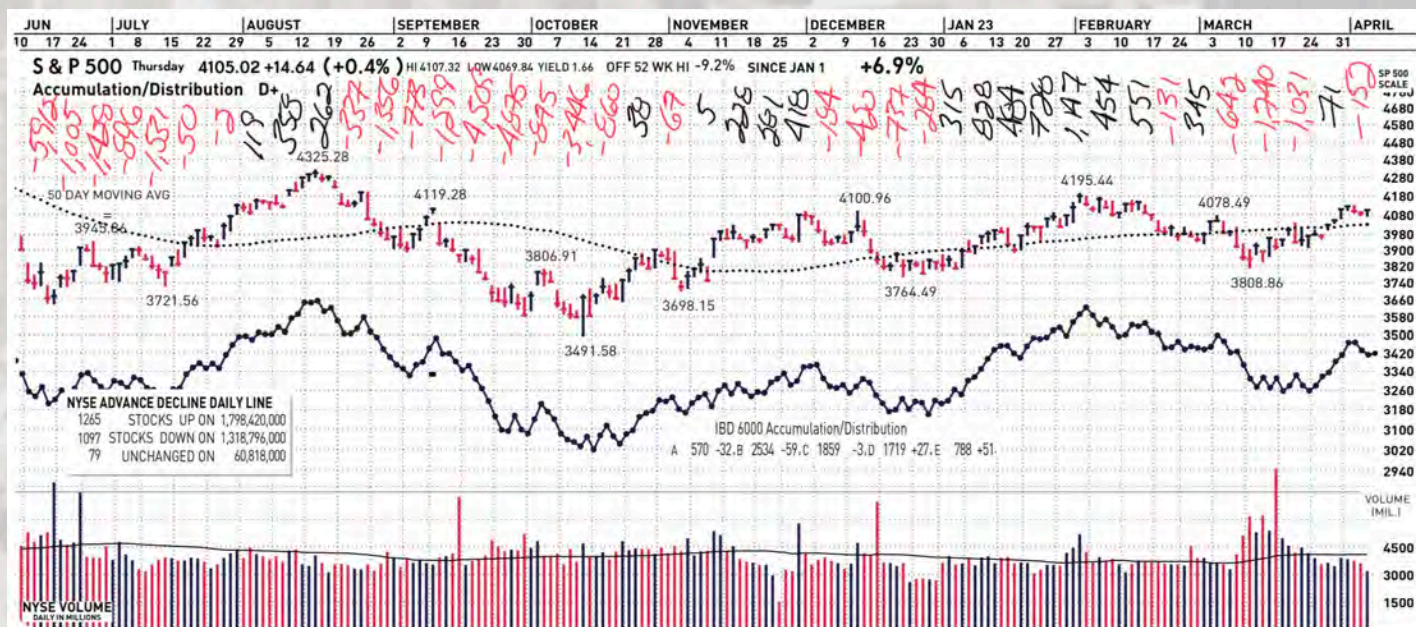


November 2021							Today
Sun	Mon	Tue	Wed	Thu	Fri	Sat	
	+377 <sup>1</sup>	+348 <sup>2</sup>	+491 <sup>3</sup>	+482 <sup>4</sup>	+591 <sup>5</sup>	+2,268 <sup>6</sup>	
7	+498 <sup>8</sup>	+242 <sup>9</sup>	+109 <sup>10</sup>	+74 <sup>11</sup>	+174 <sup>12</sup>	+1,097 <sup>13</sup>	
14	+181 <sup>15</sup>	+177 <sup>16</sup>	-34 <sup>17</sup>	-149 <sup>18</sup>	-115 <sup>19</sup>	+60 <sup>20</sup>	
21	-204 <sup>22</sup>	-419 <sup>23</sup>	-162 <sup>24</sup>	CLOSED <sup>25</sup>	-411 <sup>26</sup>	-1,196 <sup>27</sup>	
28	-327 <sup>29</sup>	-688 <sup>30</sup>	"UPPER END UNDER PRESSURE"				





79% of the weeks were negative. There was not one day that was over +200 (highest was +169)

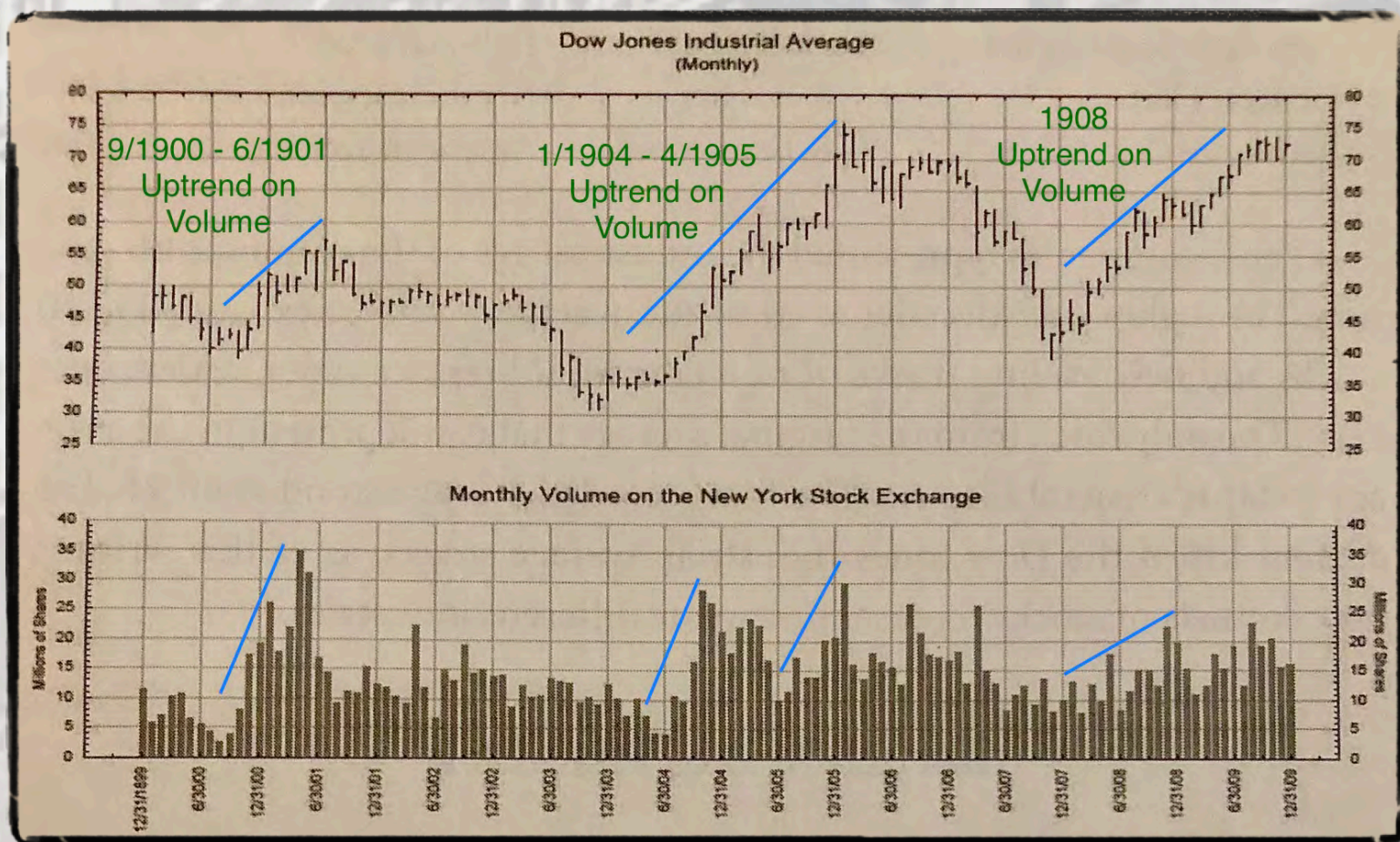








## Historic Cycles & Monster Stocks 1900 - 1940s





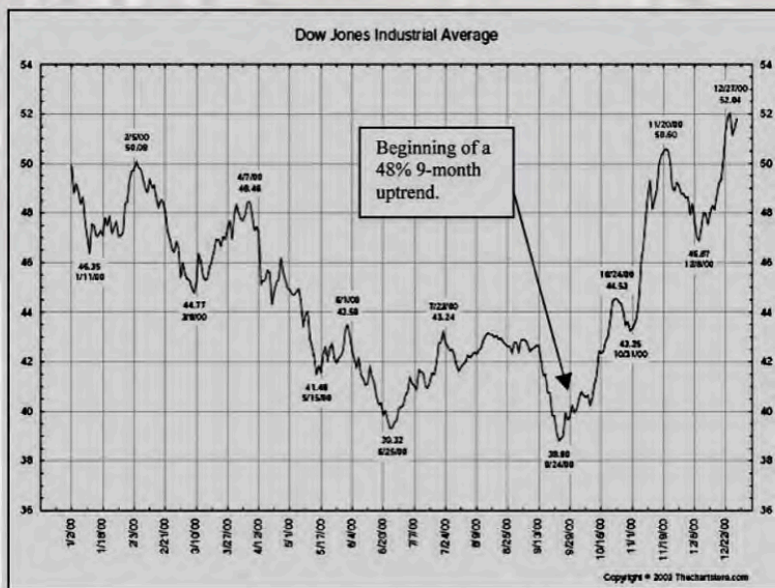


Figure A-1 Dow Jones Industrial Average Daily Chart, 1900

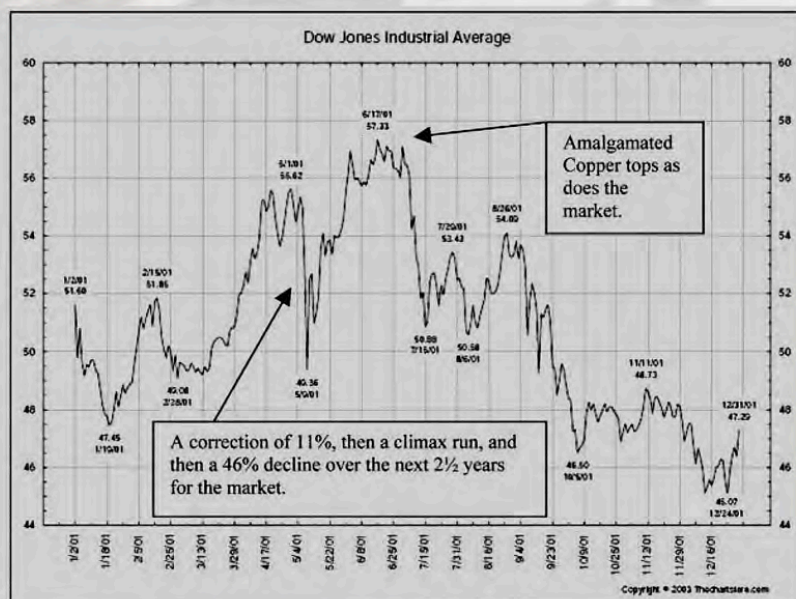


Figure A-2 Dow Jones Industrial Average Daily Chart, 1901

## 09/1900 - 06/1901

A 48% gain in nine months as the economy was coming up off a long recession that officially ended in December 1900 (the market always rises months in advance of an official recession end) - and the market came up from a prior correction and rose solidly with increased volume - then peaked, pulled back, and traded down for over two years.

Wyckoff saw the leading railroad stocks starting to top in early May '01 and he went to a full cash position just before the market broke.

### Leading Stocks:

**Amalgamated Copper Mining:** Bernard Baruch shorts this prior monster stock in the spring of 1901, right after it had lead the market and then topped.

**Northern Pacific:** This is Jesse Livermore's first major winning stock. There was a raid on the stock - see chart in Monster Stock section.

**Union Pacific**

**U.S. Steel:** Newly formed when JP Morgan purchased Carnegie Steel for \$500 million in February 1901. Merger fever then spread and was a leading cause of the market rise in '01.



## Richmond & Danville-1885 Weekly Chart

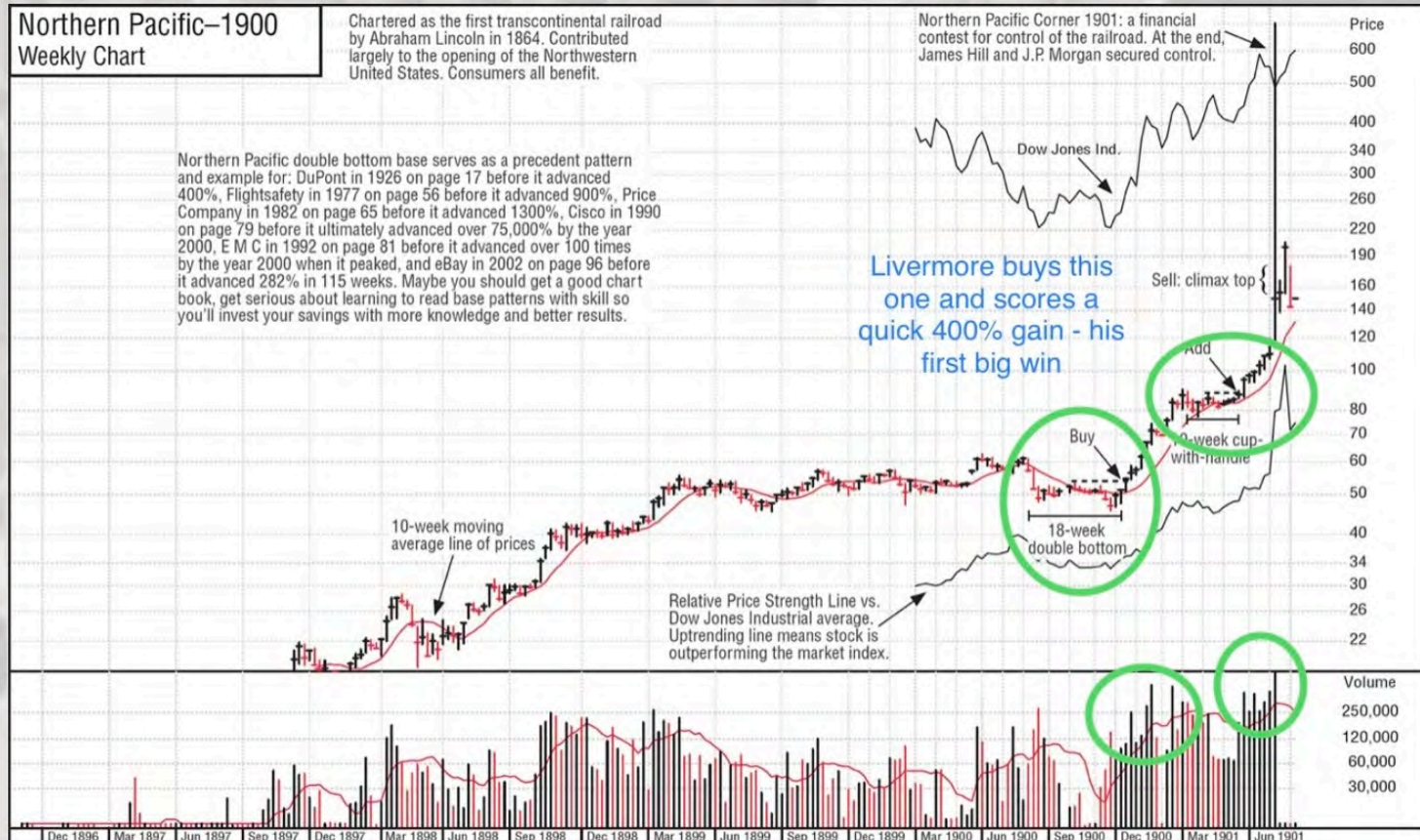
Completed railroad route from Richmond to Danville, Virginia in 1856. By 1890 it covered 3,300 miles throughout the southern states.



Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.

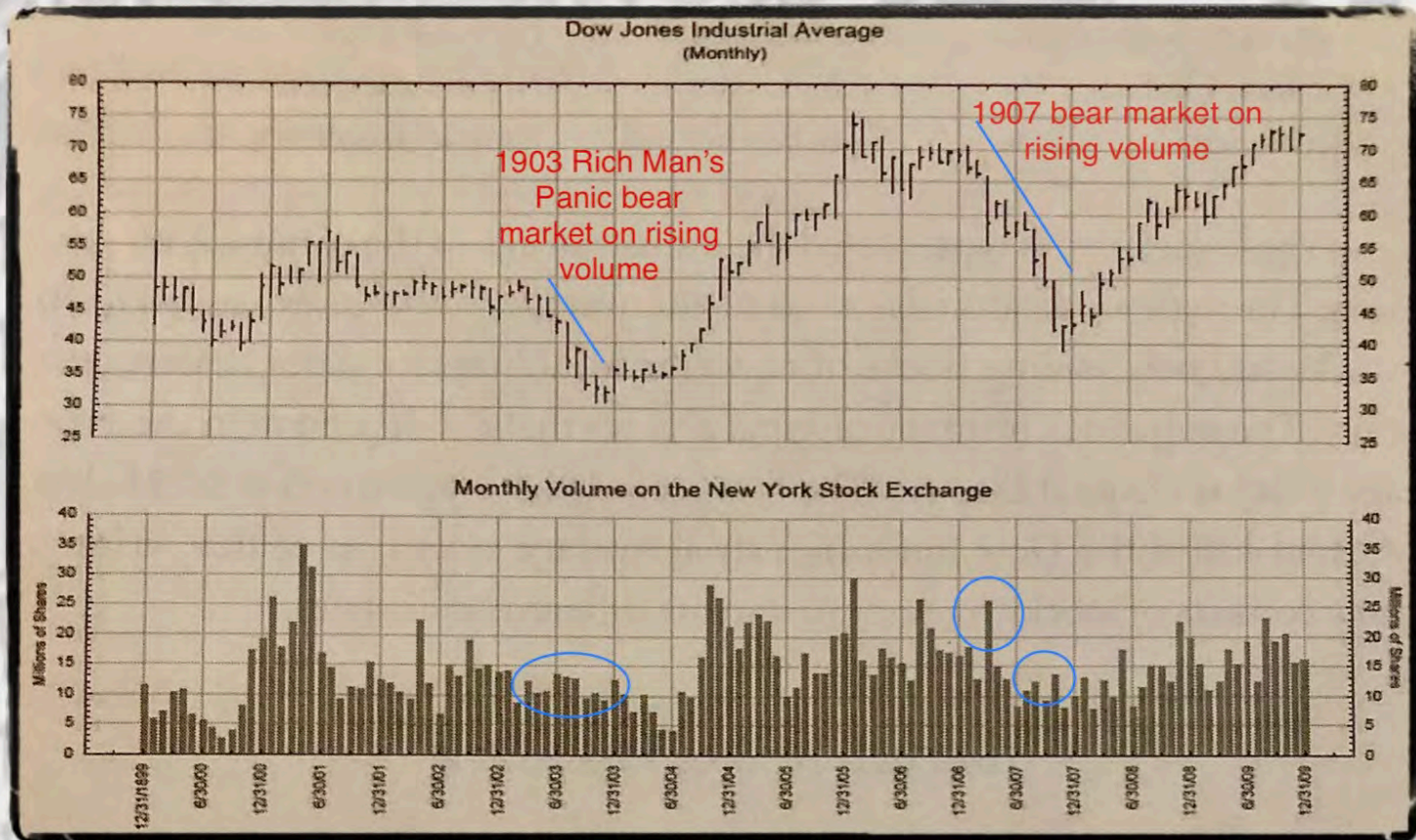
## Northern Pacific-1900 Weekly Chart

Chartered as the first transcontinental railroad by Abraham Lincoln in 1864. Contributed largely to the opening of the Northwestern United States. Consumers all benefit.



Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.





### 03/1903 - 11/1903

Following a flat 1902 the market took a big hit as "The Rich Man's Panic" hit stocks hard. The Dow fell 24% but the 20-railroad index fell 54% as leading stocks in the prior run up fell hard. A recession started in September 1902 and last for two years.

### 02/1907 - 11/1907

After two strong years in 1904 and 1905 and a flat to down 1906, the market began to weaken and forecast slower times as a new recession started in April 1907. Tightening of credit and a correction in shipping, mining, steel, iron, and especially railroad stocks hit the market hard.

Prior Leaders Topping and Correcting:

Union Pacific: Livermore shorts this former winner along with Reading and Copper & Smelting and closes them out in late October 1907 netting himself a \$3 million profit. The stock crashed 60%.

Reading Railroad: Down 44%.

Copper & Smelting

Northern Pacific: Down 73%.

Great Northern: Down 58%.



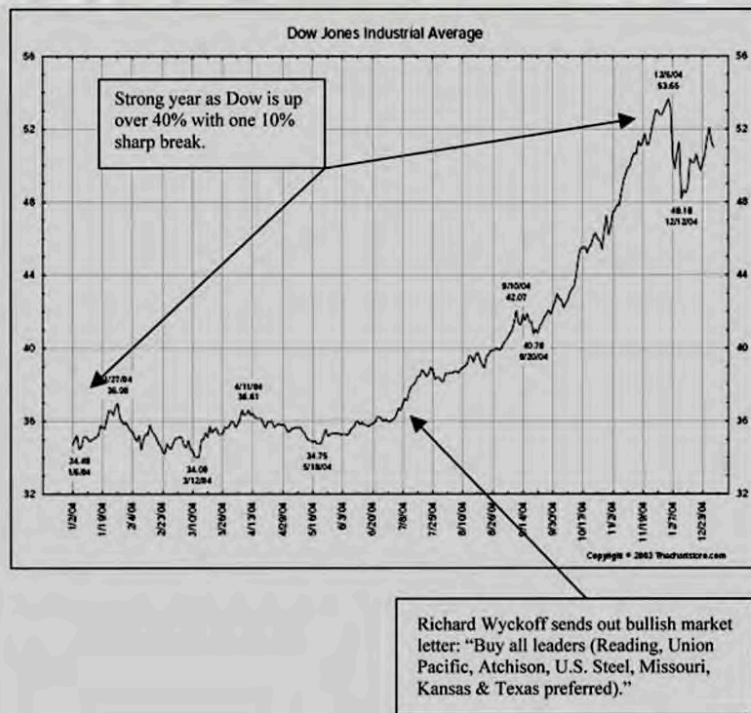


Figure A-3 Dow Jones Industrial Average Daily Chart, 1904

## 01/1904 - 04/1905

A 99% gain in 15 months - up from a prior bear market and it rose solidly with increased volume - then peaked, pulled back, and eventually traded down into "The Rich Man's Panic" of 1907 bear market. Wyckoff puts out his famous 'GET BULLISH' memo in the summer of 1904 as the market starts to get stronger.

### Leading Stocks:

Reading: This was one of Wyckoff's recommendations in the summer of 1904

Soo Line: Baruch buys this railroad leader early in 1904 at near \$60 and then sells it over \$110 during the uptrend

Union Pacific: Another Wyckoff recommendation in the summer of 1904

U.S. Steel: Wyckoff buys this one off the bottom of that decline in 1904 as the market started to turn - it becomes a huge winner for him

Atchinson

## 03/1908 - 12/1908

A 47% gain for the year following a second "Rich Man's Panic" of 1907 after JP Morgan had to inject capital and bail out the exchange. The uptrend started in March 1908 after slightly declining the first two months of the year. Once again the market as always, looked ahead, and the recession ended in June 1908 and began a strong recovery. The market ended up recouping all the losses it had experienced during the 1907 bear market.

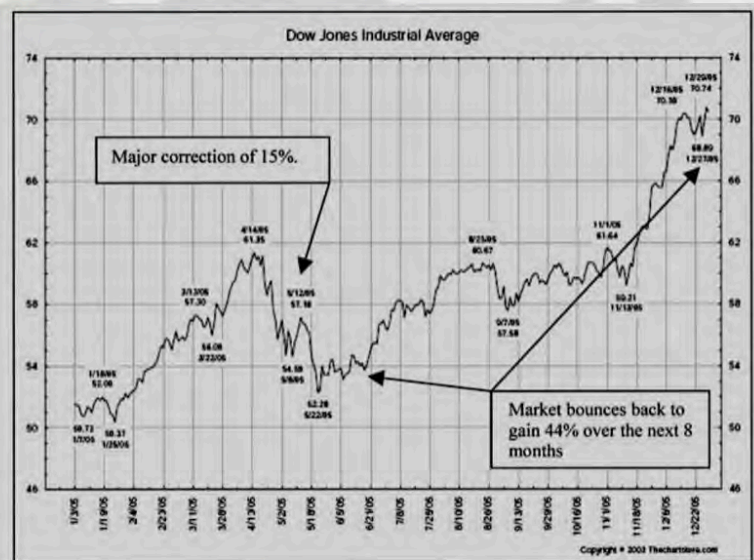


Figure A-4 Dow Jones Industrial Average Daily Chart, 1905



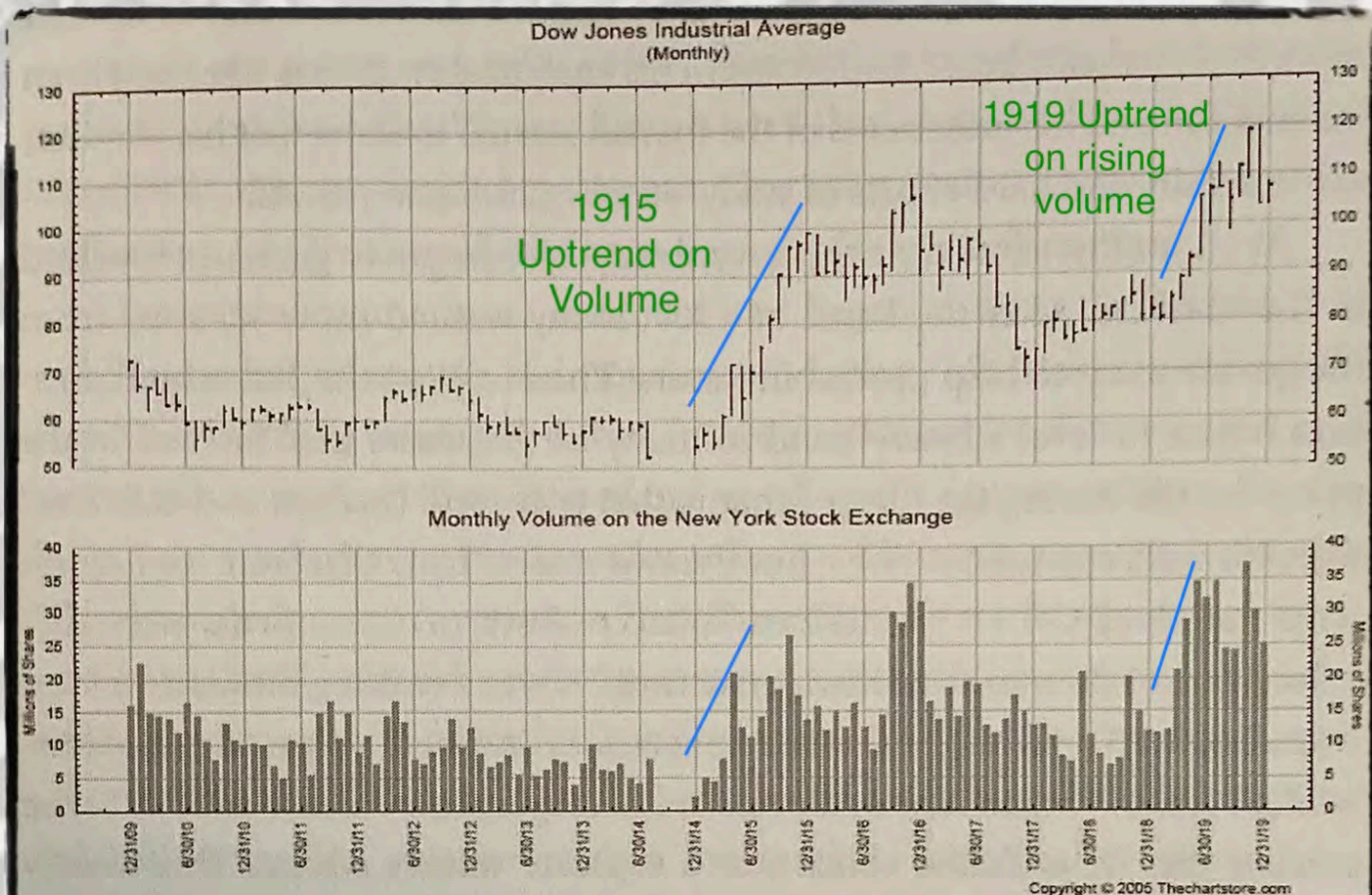


Figure 2-1 The Dow Jones Industrial Average 1910–1919.

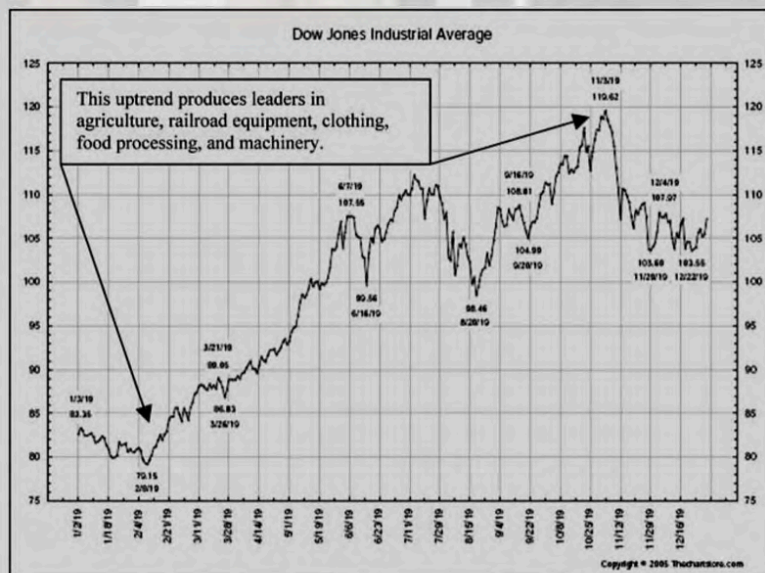
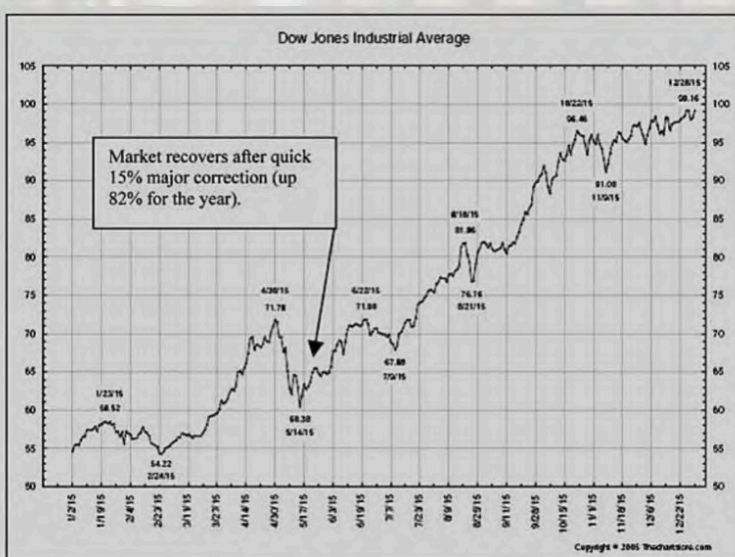


Figure A-7 Dow Jones Industrial Average Daily Chart, 1915

Figure A-8 Dow Jones Industrial Average Daily Chart, 1919



## 05/1915 - 01/1916

Up 82% for 1915 and 64% from 05/1915 - 01/1916 following the reopening of the market in December 1914 following its closure during World War 1. A two year recession ended in January 1915 and the market took off in March

Leading Stocks:

**Bethlehem Steel:** This is the stock Livermore bought to regain his trading after a multi year bankrupt hiatus where he kept trading during a flat market (1911-1914) and took numerous losses. Bethlehem Steel crossed its par level of \$100 - he quickly sold for a \$50K profit just because he wanted to regain a stake in the market. He watched what he called "par levels" when a stock would trade near a round number like \$100 per share. He learned that from his bucket shop trading days. He did that with this stock when it continued to rise to \$200, \$300, and then \$400. It couldn't hold \$500 so he stopped trading it. The stock ended up rising 900% during the year.

Baldwin Locomotive: This leader rose 192% during the year

General Electric

Union Pacific

Reading

American Smelting: This one rose 92% for the year

**General Motors:** A Monster Stock in 1915, it soared 517% and broke out when the market started its uptrend.

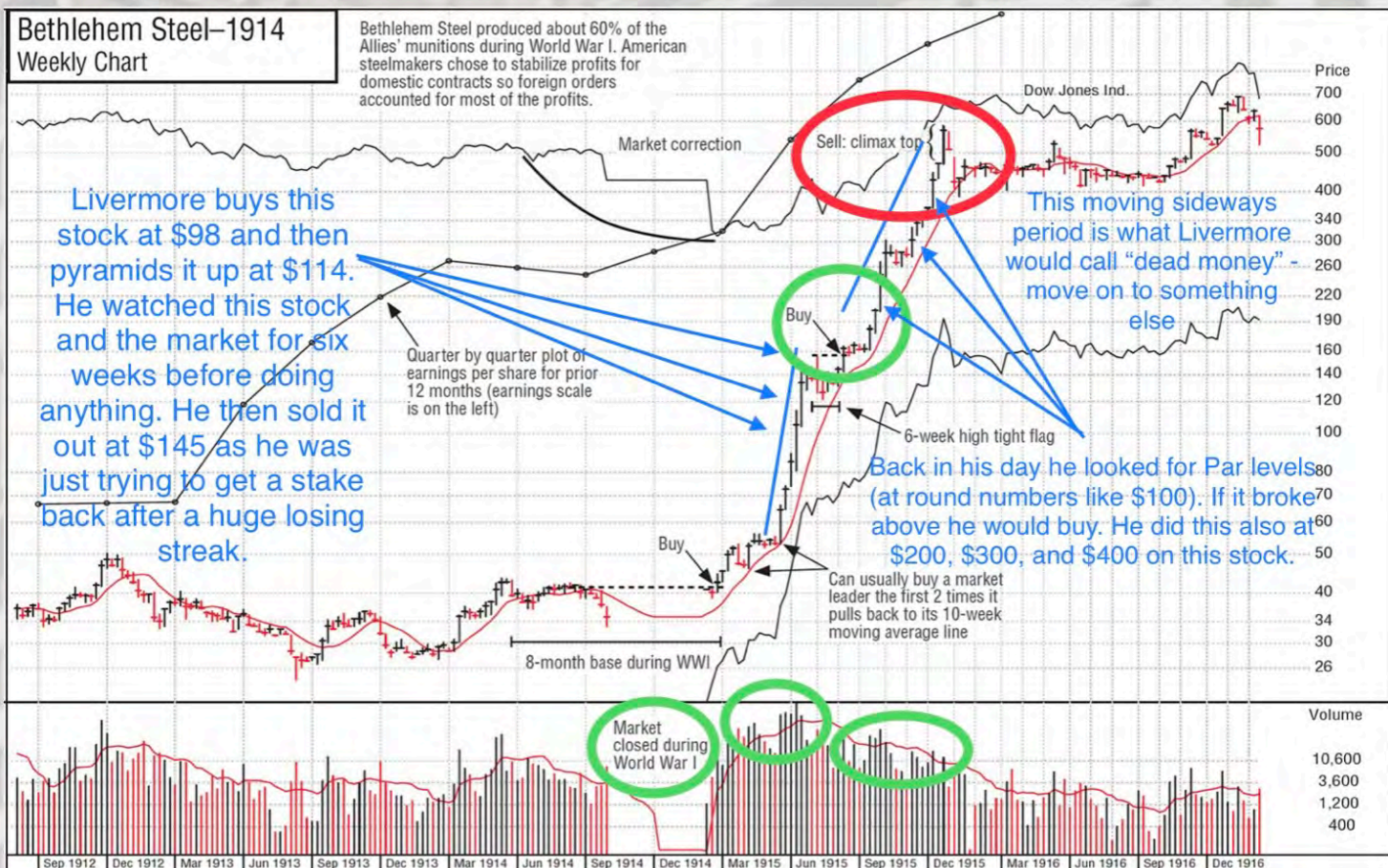
## 02/1919 - 11/1919

A 51% uptrend in 9 months. After WW1 ended in November 1918 postwar prospects grew and the US became the largest economy. The new Fed kept expanding the money supply and more post war industries led as sector rotation came into the market. Rebuilding industries (clothing, food processing, machinery, agriculture and railroad equipment among others). But the Fed raised rates for the first time in its history in November 1919 which helped put an end to the uptrend. Wyckoff however did very well during the strong uptrend.



## Bethlehem Steel-1914 Weekly Chart

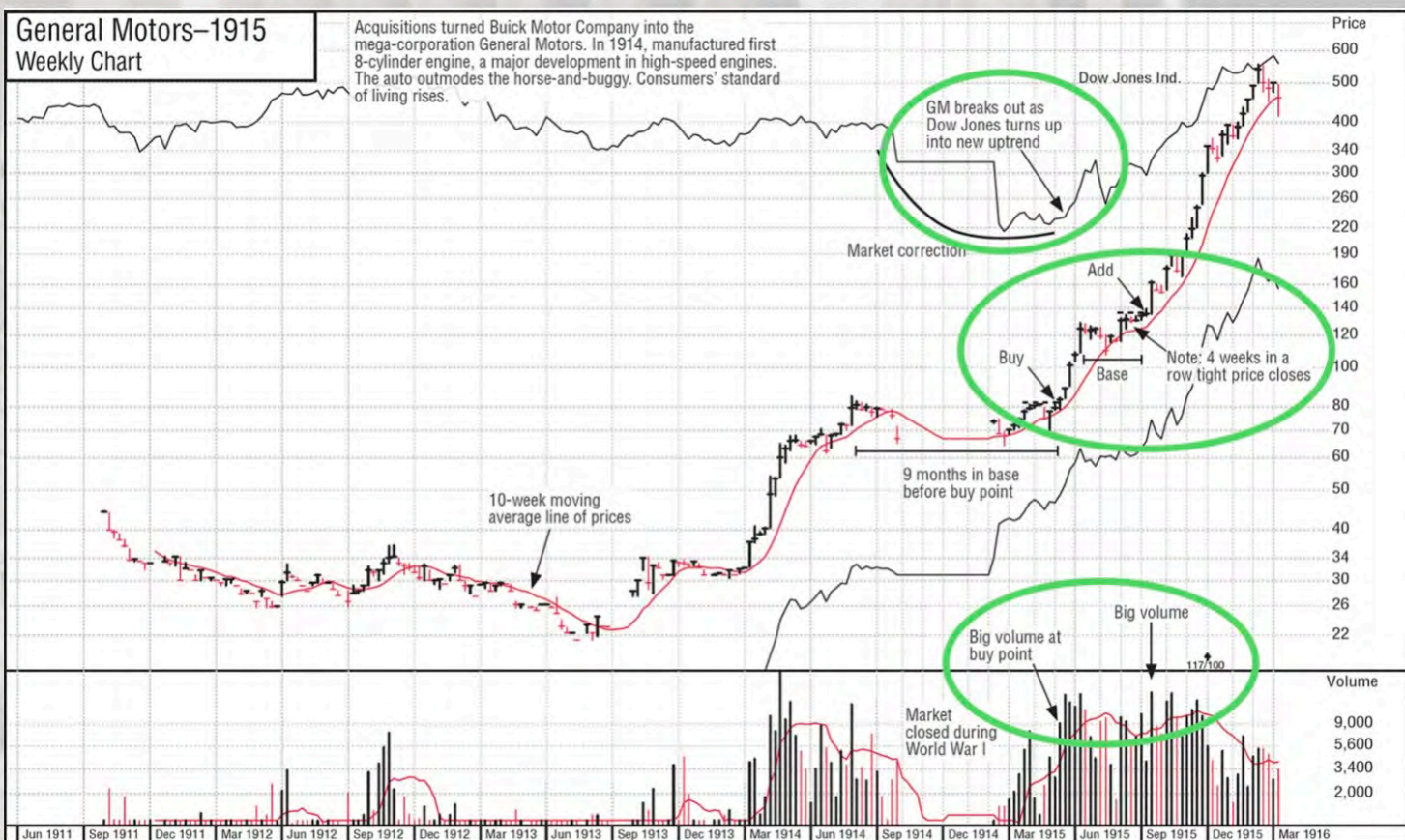
Bethlehem Steel produced about 60% of the Allies' munitions during World War I. American steelmakers chose to stabilize profits for domestic contracts so foreign orders accounted for most of the profits.



Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.

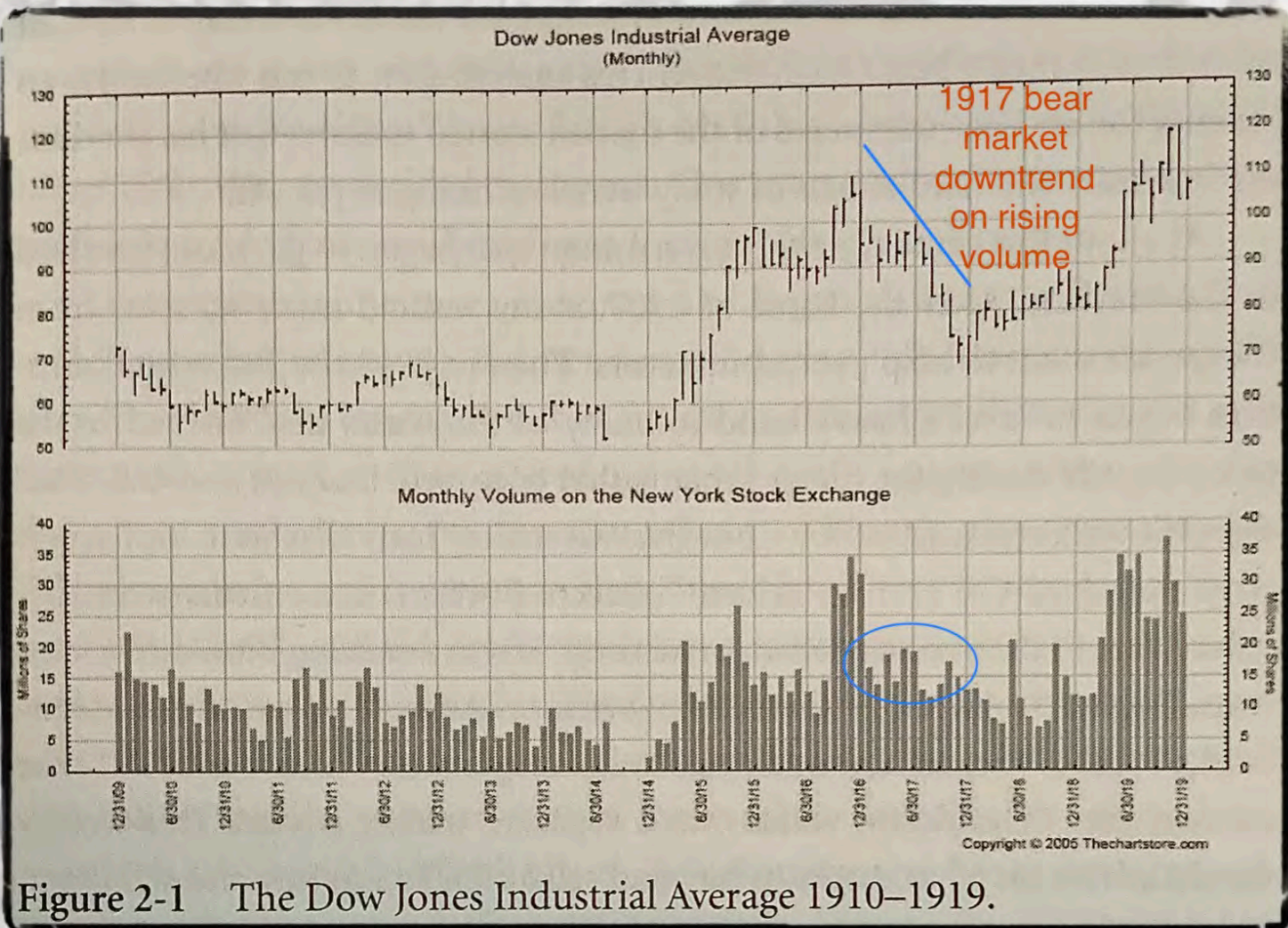
## General Motors-1915 Weekly Chart

Acquisitions turned Buick Motor Company into the mega-corporation General Motors. In 1914, manufactured first 8-cylinder engine, a major development in high-speed engines. The auto outmoded the horse-and-buggy. Consumers' standard of living rises.



Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.





**Figure 2-1** The Dow Jones Industrial Average 1910–1919.

### 11/1916 - 12/1917

The market peaked in November 1916 and rumors of entering the war swirled (which occurred in April 1917). It was a hard and fast decline right to the end of 1917. Livermore made \$3 million during '16 (long the leaders) and '17 (short those former leaders). Baruch and Wyckoff also did well doing the same thing.

Prior Leaders Topping and Correcting:

US Steel

Smelters

Pressed Car

General Motors: The leader from 1915 fell from \$850 to \$74 (off 91%).

Baldwin Locomotive: This one fell 63% to \$43 from a prior year high of \$118.

Central Leather

Bethlehem Steel: This former big winner declined to \$66 from a 1915 high of \$700 (90% decline)

Studebaker

Lackawanna Steel



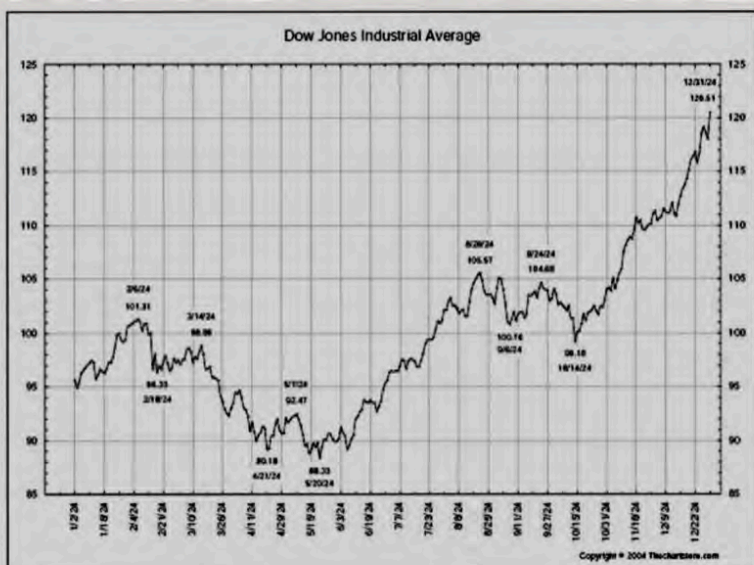


Figure A-11 Dow Jones Industrial Average Daily Chart, 1924

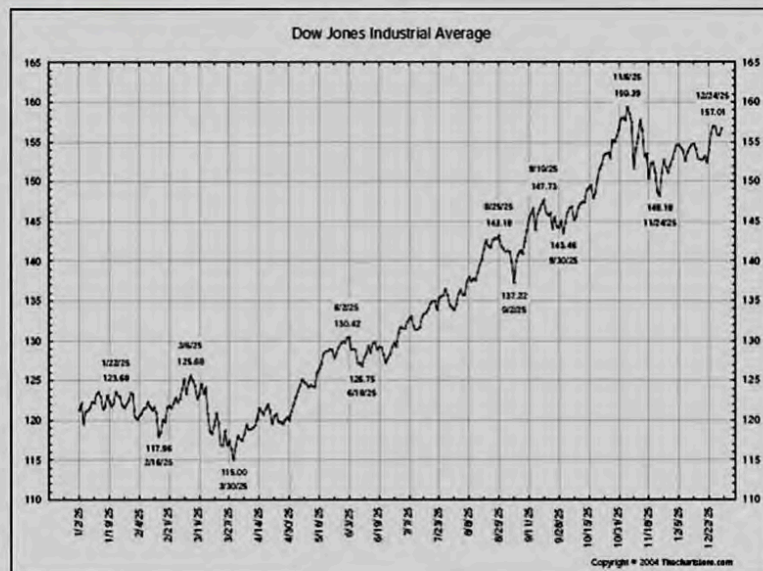


Figure A-12 Dow Jones Industrial Average Daily Chart, 1925

## 06/1924 - 02/1926

Up 91% in 19 months this was a very strong uptrend that offered many leading stocks that scored impressive gains. A recession ended in August '24. Notice below how many leaders Baruch was in during this run. He concentrated on the major leading stocks. Wyckoff also started buying into leaders during June of 1924. Livermore was very active during this time from the long side as well. During the run there were very few meaningful pullbacks or corrections. Loeb was still early in his career and did well here in the uptrend but when the market topped in early '26 he didn't act - gave back a years worth of profits.

### Leading Stocks:

- American Can: One of the "four horsemen" leaders as Loeb would say.
- American Smelting and Refining: Baruch takes a big position in this stock.
- Baldwin Locomotive Works: A big winner for Baruch. Another "four horseman" leading stock per Loeb.
- Baltimore & Ohio Railroad: Another big leader and winner for Baruch.
- Consolidated Gas: This is one of Baruch's major monsters as he makes over \$1 million in 1925 alone.
- Utah Securities
- DuPont
- Burroughs
- Great Northern Iron Ore: This becomes a major position for Baruch.
- International Nickel: Baruch is also in this leader.
- Sloss-Sheffield Steel and Iron: Another leader that Baruch latches onto.
- Studebaker: One of the "four horsemen" leaders as Loeb would say.
- U.S. Steel: This is another monster stock during this time that Baruch pyramids up on to compound his gain. Also a "four horsemen" stock per Loeb.





Figure A-13 Dow Jones Industrial Average Daily Chart, 1927

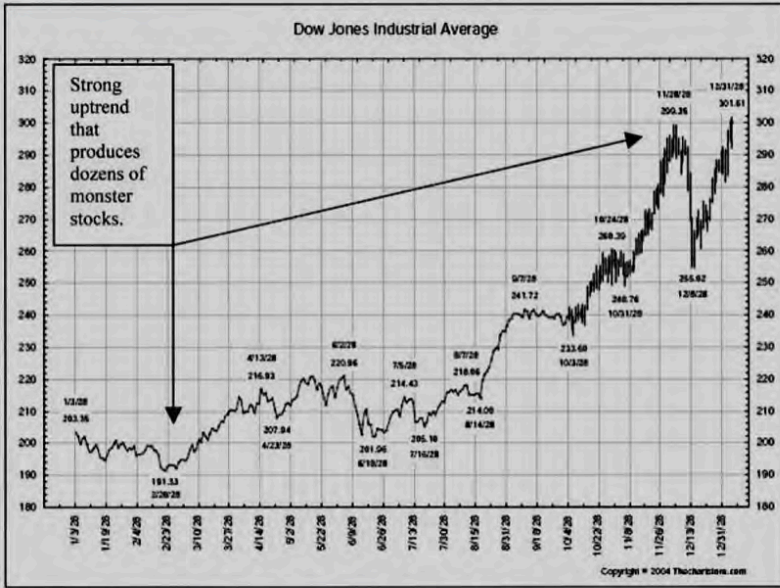


Figure A-14 Dow Jones Industrial Average Daily Chart, 1928

## 11/1927 - 11/1928

Up 67% in only 12 months as a 14 month recession ended in November '27 and the prospects for future growth were strong. Auto stocks (Nash, Mack Trucks, Chrysler & GM) were strong leaders. The Fed instilled an easy monetary policy and banks were flooded with cash that led to heavy margin trading.

### Leading Stocks:

American Tobacco

Chrysler: This leader was one Loeb traded several times on uptrends

General Electric

General Motors: This stock Baruch made a mistake on as he thought it was becoming overvalued. He kept shorting it on the way up during a strong market and eventually covered it at a big loss.

**IBM:** This was a leader in '26, it rebased and broke out again in Nov '27.

Mack Trucks

Montgomery Ward: Gerald Loeb makes over \$2 million on this monster stock alone.

National Cash Register

**Radio Corporation of America (RCA):** This is a major monster as it zooms nearly 1,700% during its run.

Seaboard Air Line Railroad

Standard Oil of California

Union Carbide

U.S. Steel

Westinghouse

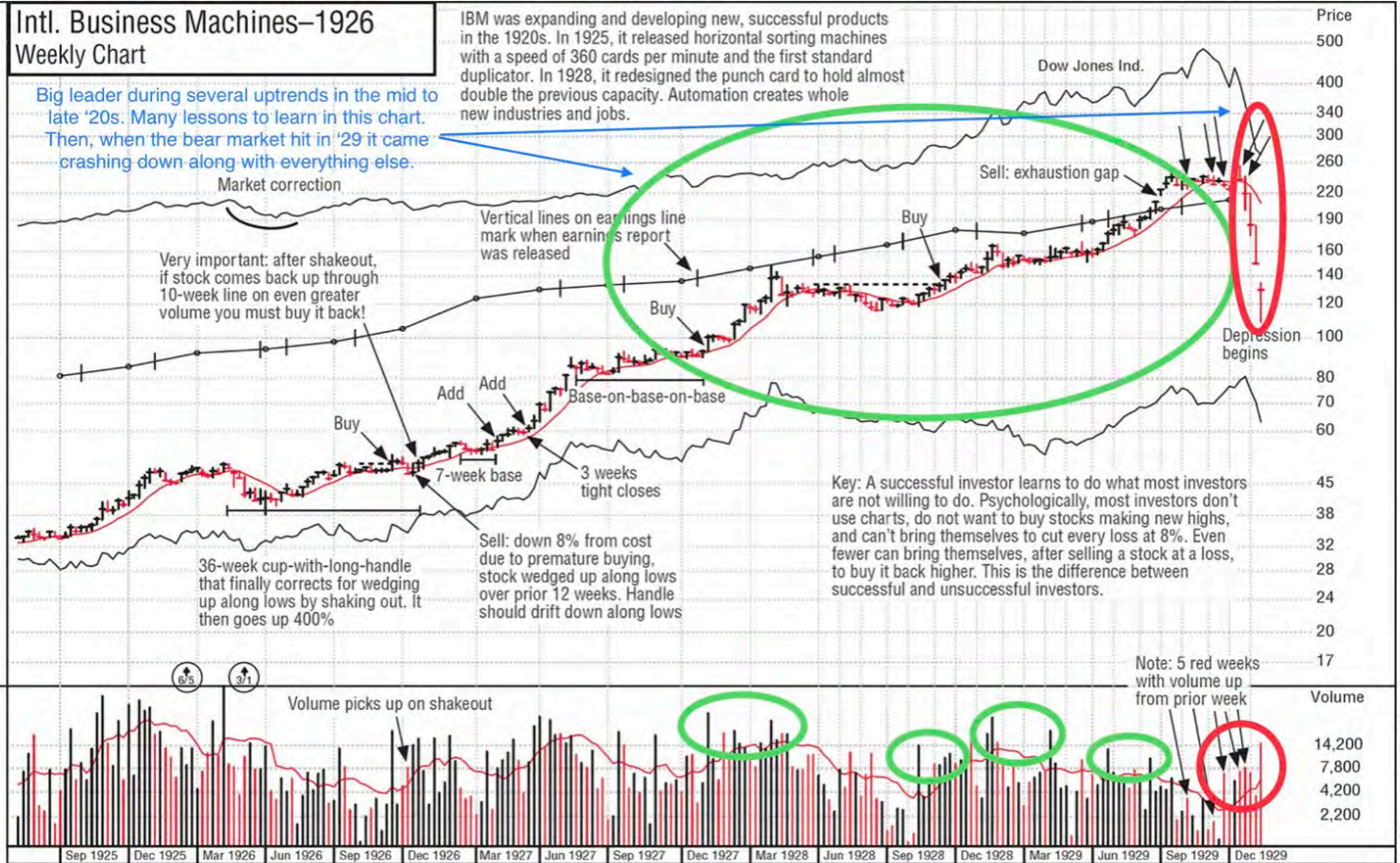
**Wright Aeronautical:** This soars from \$25 to \$245 in 19 months during this uptrend.



## Intl. Business Machines-1926 Weekly Chart

Big leader during several uptrends in the mid to late '20s. Many lessons to learn in this chart. Then, when the bear market hit in '29 it came crashing down along with everything else.

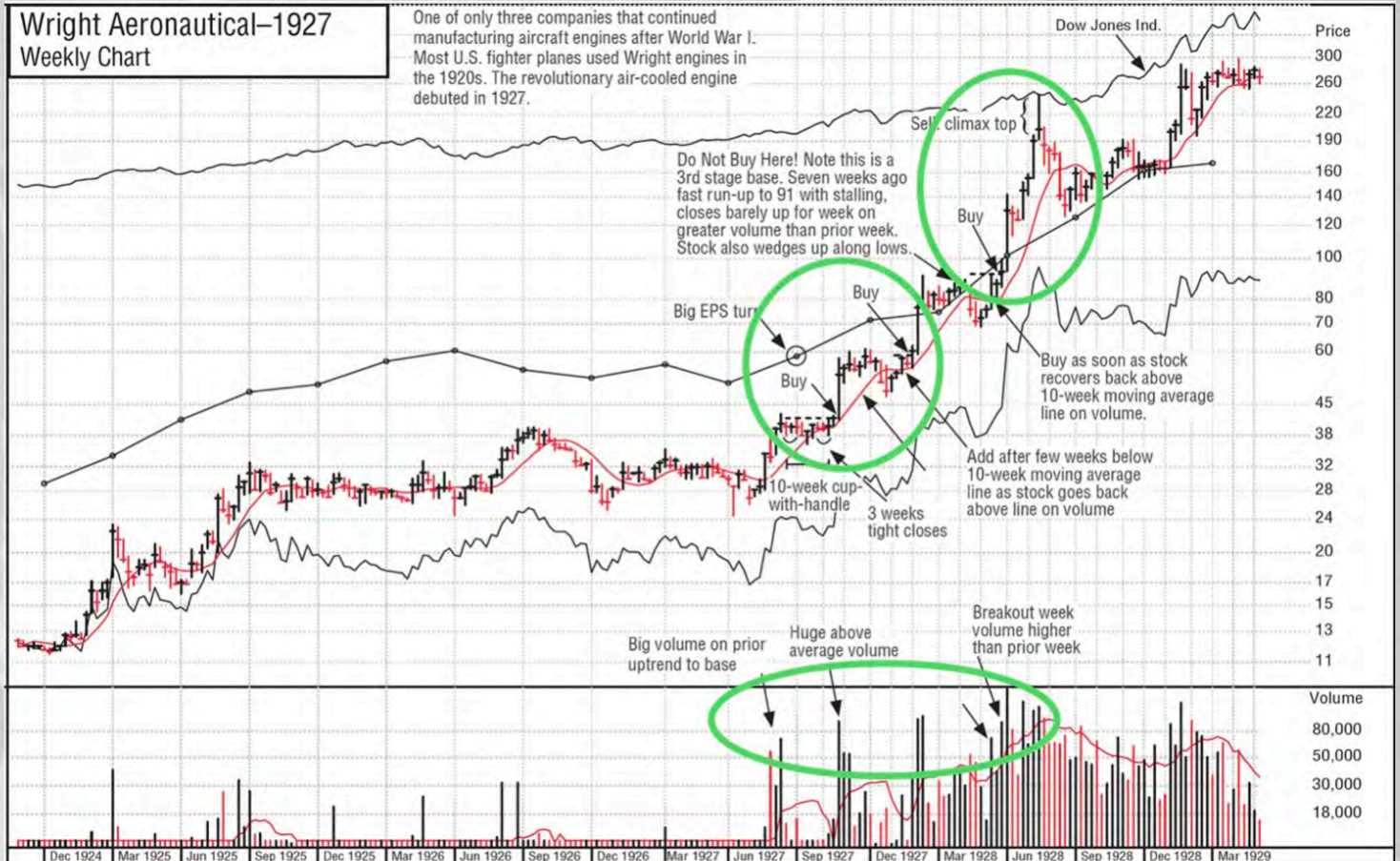
IBM was expanding and developing new, successful products in the 1920s. In 1925, it released horizontal sorting machines with a speed of 360 cards per minute and the first standard duplicator. In 1928, it redesigned the punch card to hold almost double the previous capacity. Automation creates whole new industries and jobs.



Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.

## Wright Aeronautical-1927 Weekly Chart

One of only three companies that continued manufacturing aircraft engines after World War I. Most U.S. fighter planes used Wright engines in the 1920s. The revolutionary air-cooled engine debuted in 1927.



Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.



## Radio Corp. of America-1927 Weekly Chart

Radios gained in popularity during the 1920s from 5,000 in-home sets in 1920 to over 2.5 million by 1924. In 1926, through mergers and acquisitions with RCA's own network, the National Broadcasting Company (NBC) became the first major broadcast network in the U.S. New invention gives masses instant news and entertainment.

Note: Once RCA, in the June & September 1928 quarter, undercuts the low price of point A and completes a new base, it now becomes a 1st stage base.

Remember: examples of great winners are split-adjusted for all splits. Don't fall into trap of incorrectly thinking because buy point marked on RCA's chart was 14, that was the real price at that time. It was really 5 times 14, or 70 since all stocks in these 100 examples have been adjusted for stock splits (note the 5 for 1 split shown at bottom far right just above the volume weekly bars. For example both Cisco and Microsoft's 1st buy point on their first base was in the \$30 range and Google was \$113. Of the more than 1,000 models we have of history's greatest winners, the vast majority began by coming out of their first base from \$30 up to \$100 or more. Since our rules are historically proven, we avoid \$3, \$5, and \$10 stocks because the quality, liquidity and caliber of sponsorship is much lower. Our minimum is \$20 for stocks on the NYSE.

Buy after 3 weeks below 10-week moving average line, when volume picks up and price moves back up through the 10-week line. This is a second stage base.

Do Not Buy! Third stage base is too obvious...everyone sees it.

Buy

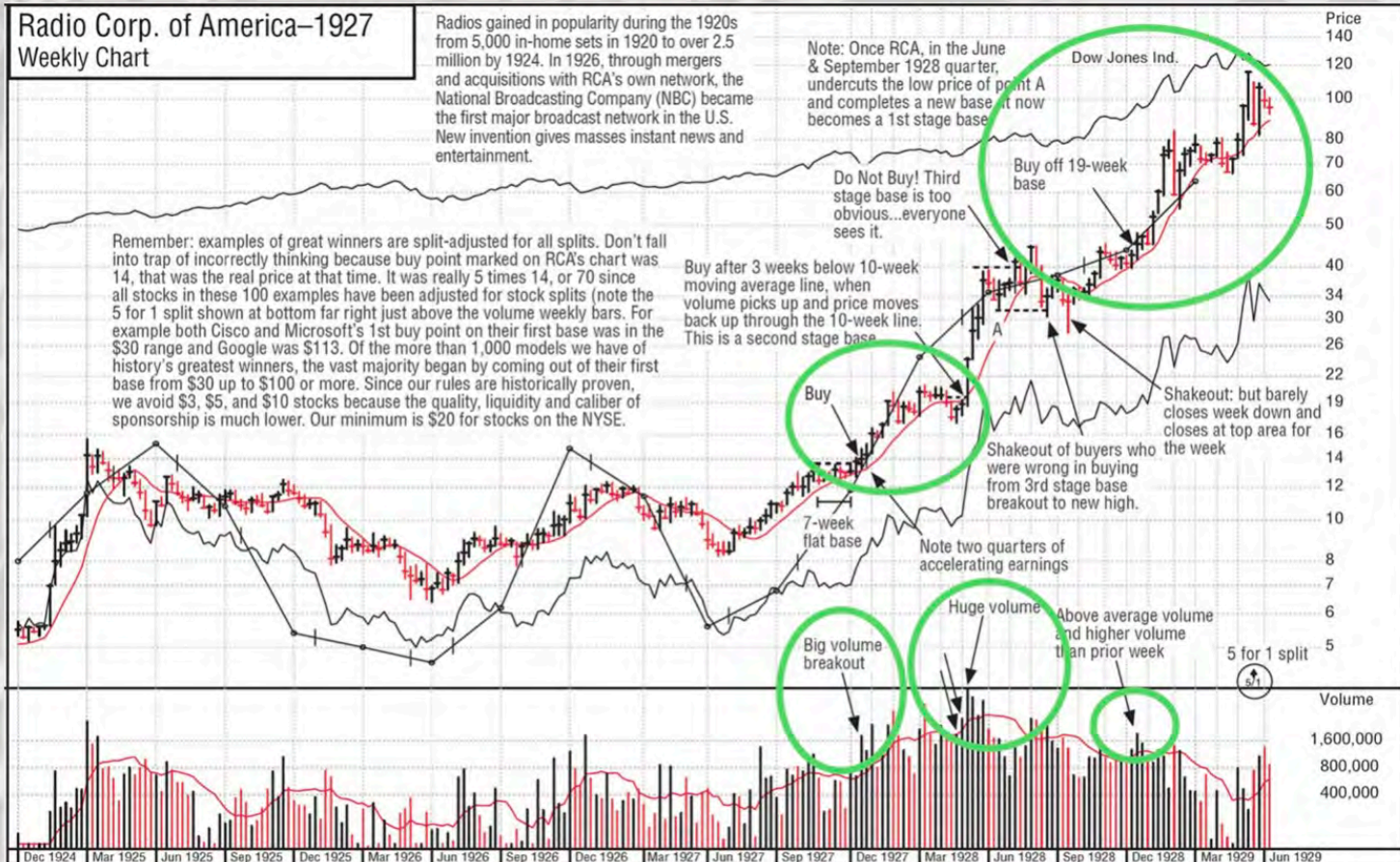
Shakeout of buyers who were wrong in buying from 3rd stage base breakout to new high.

Note two quarters of accelerating earnings

Huge volume

Above average volume and higher volume than prior week

5 for 1 split



Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.



Figure 5-6 Sun Microsystems. Source: [www.bigcharts.com](http://www.bigcharts.com).



Dow Jones Industrial Average  
(Monthly)



Monthly Volume on the New York Stock Exchange

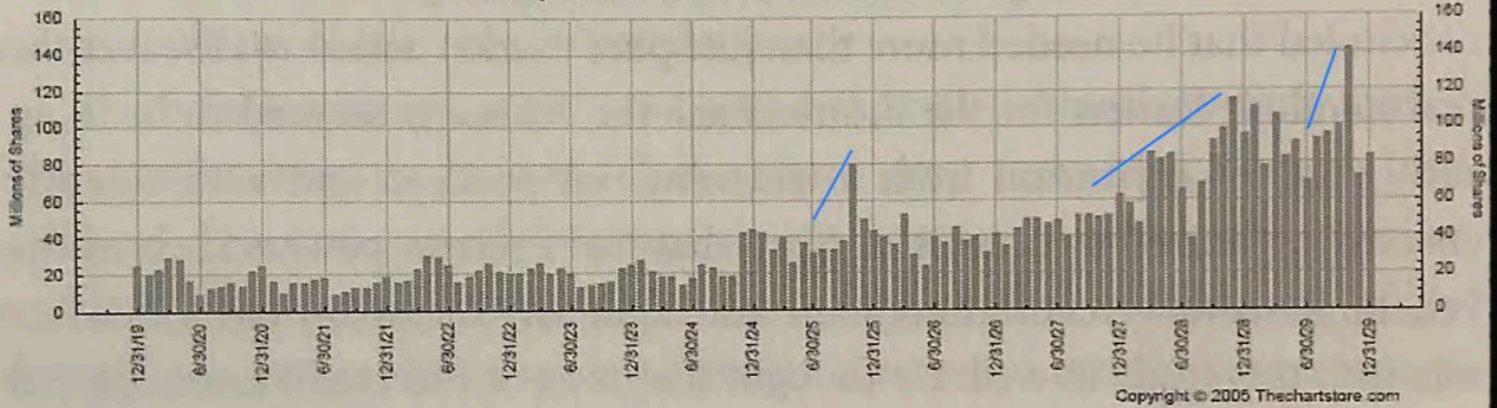


Figure 3-1 The Dow Jones Industrial Average 1920–29.

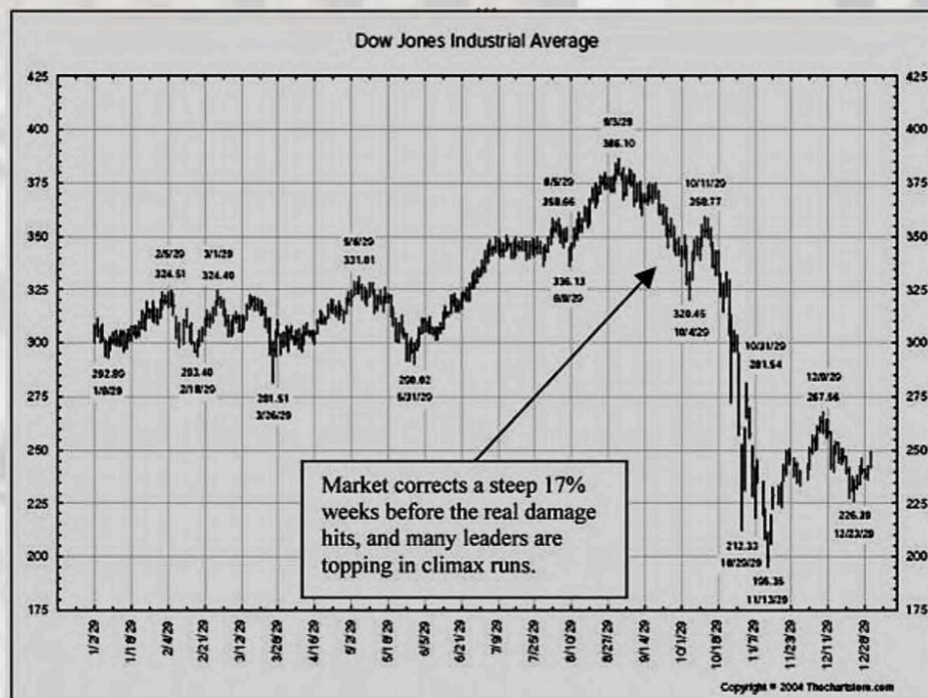


Figure A-15 Dow Jones Industrial Average Daily Chart, 1929



## 06/1929 - 08/1929

A short but strong 30% run from early June to the peak in early September - market peaked on September 3rd. Livermore actually began sending probes out on the short side in the summer due to the euphoric rise. He was looking back at 1907 and saw parallels. Baruch was buying stocks one day and selling into strength the next day - he kept up this fast paced trading into September. Everyone was giving stock tips, day trading, etc. Climax runs in stocks were everywhere. Also, the economy started a recession in August. Loeb saw the top to this market and was completely out before October. He was actually on a six week European cruise when the market broke hard in late October.

Leading Stocks (same as the '28 run but these were all now racing up into climax runs)

- American Tobacco
- RCA
- Standard Oil of California
- Union Carbide
- National Cash Register
- Montgomery Ward



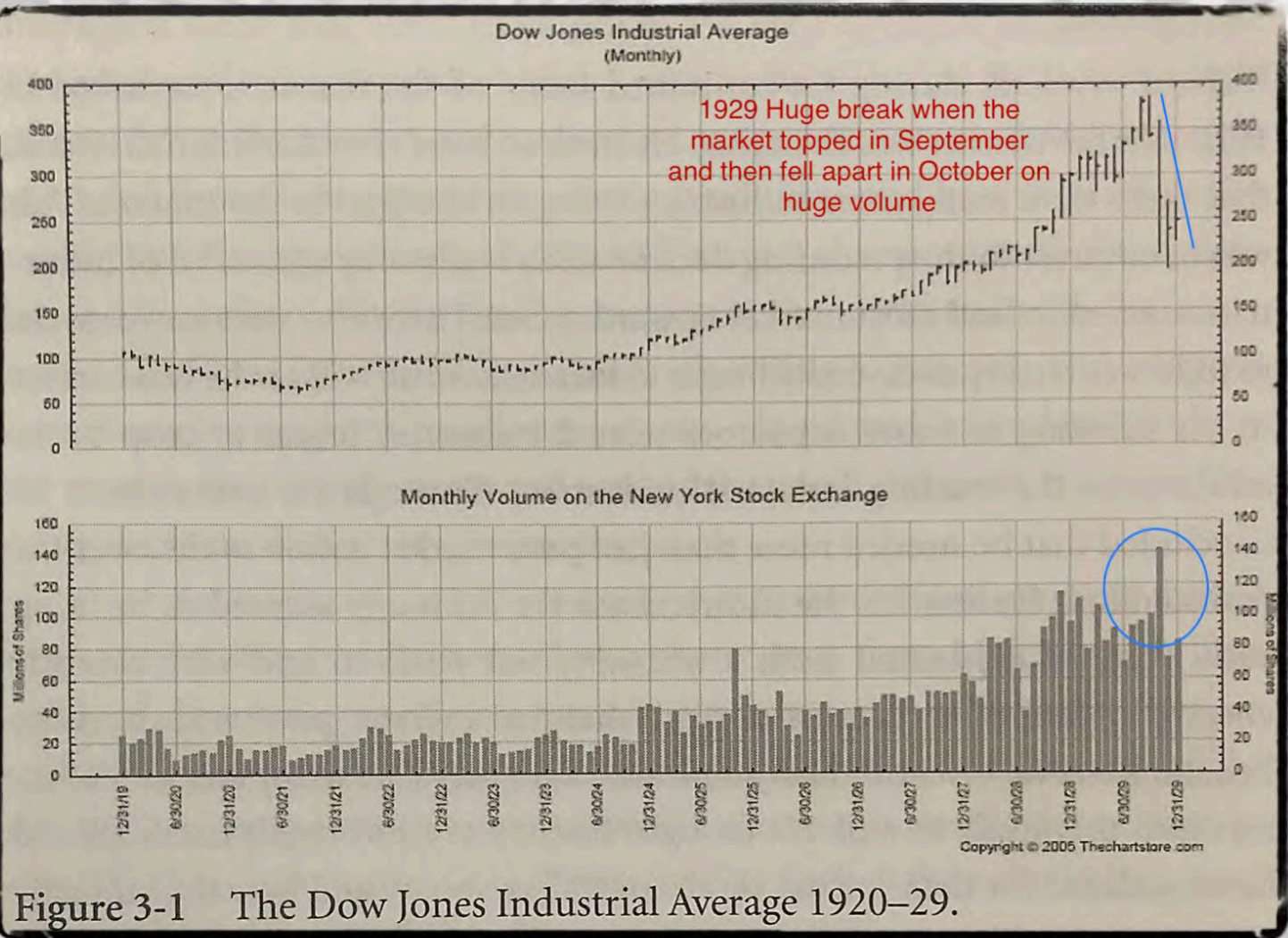


Figure 3-1 The Dow Jones Industrial Average 1920–29.

### 09/1929 - 11/1929

After strong, almost uninterrupted runs, the market went into a climax run along with most leading stocks by the fall of 1929. Companies started lending money for margin accounts, tips were being given out by nearly everyone, and people were quitting their jobs to day trade. This was clearly "mob psychology" on display. Also, in August an official recession began - this was one of those rare occasions where the market screamed right past that - big tip that caution was tossed aside. The market peaked on September 3rd at 381 on the Dow. September became a heavy selling month and by October 29th (which is when most think the crash began) the Dow was already down 45% from that peak on September 3rd.

Here is some information on those days in late October and early November:

Monday 10/21/29: Prices were down and volume surged to over 6 million shares (a record).

Tuesday 10/22/29: Prices were up in the morning and then reversed to close for a loss.



Wednesday 10/23/29: The market was down sharply again (American Telephone, GE, Westinghouse, Hershey — all down over 15 points each).

Thursday 10/24/29: Known as Black Thursday. The market opened lower, and then around 10:00 a.m. volume picked up and the market sank. Volume was almost 13 million shares, and the tape was four hours behind in quoting prices.

Friday 10/25/29: The market staged a minor increase for the day.

Saturday 10/26/29: Volume rose again, and the market fell slightly.

Monday 10/28/29: The market sank 12.8% on huge volume. GE, Westinghouse and American Telephone fell 48, 34 and 34 points, respectively, all on huge volume. Margin calls increased as the losses piled up for those who didn't sell.

Tuesday 10/29/29: The Dow fell another 11.7% (down 24.5% in two days), and volume crossed 16 million shares. All leaders were slammed hard, and U.S. Steel and American Can declared extra dividends to try and relieve the panic.

Wednesday 10/30/29: The market soared 12.3% recouping the prior day's loss on relief from positive comments from many in order to stop the heavy selling.

Thursday 10/31/29: The market's open was delayed, and it was announced that the market would be closed until the next Monday so clerks could catch up from all the delays due to heavy volume. The market posted a rise for Thursday's short session.

Monday 11/04/29: The market opened lower and then fell throughout the day.

Tuesday 11/05/29: The market was closed for Election Day.

Wednesday 11/06/29: This was another heavy down day on large volume.

#### Prior Leaders Topping and Correcting:

Air Reduction: From \$220 in mid October '29 this stock gets sliced to \$80 by mid November'29.

Westinghouse

General American Transportation

American Telephone

Hershey

American Can: This stock loses half its value in just 2 months.

Republic Iron & Steel: This leader drops from \$147 to \$62 in 2 months.

Allied Chemical

Public Service of NJ: This stock declines from \$400 to \$165 in 2 months.





Figure 4-1 The Dow Jones Industrial Average 1930–39.

#### 04/1930 - 06/1932

April 1930 started the real damage after some attempts earlier in the year tried to turn around the late 1929 damage. Many bear market rallies would be short lived as they just ran into resistance on the market. While some former leading stocks recovered somewhat from the brutal break in the late 1929 market during the first several months of 1930, they eventually fell even harder when the bear market continued in the spring of 1930. From just September '30 through December '30 the market fell 29% in just those three months. The Dow fell 53% in 1931, which still stands as the worst performance in history. And the economy's recession/depression had stretched to 29 months by the end of '31. March 1932 began the final decent for the market and on July 8th the Dow finally bottomed and was 89.5% below its September 1929 peak. The Dow fell 23% in 1932 for its fourth straight losing year, which has never happened since.

#### Prior Leaders Topping and Correcting:

American Can: After recovering somewhat from the late '29 crash this stock falls apart from early 1930 to mid '32 by crashing from \$155 to near \$30.



US Industrial Alcohol: This stock loses half its value in only two months in early 1931.

Allied Chemical: After recovering almost all of its late '29 crash by spring 1930 it then falls apart from \$350 down to \$50 by mid 1932.

Public Service of NJ: another stock that recovered some from the late '29 crash, it then reversed hard from near \$360 in the spring of '30 to near \$80 by mid 1932.

Glidden Company: From \$36 in mid April '30 this stock was cut in half in only 2 months to \$16 by mid June '30.

Texas Corp: From \$58 in April '30 it crashed to near \$10 by mid 1932.

Anaconda: This stock hit a low of \$3 in mid '32 ('29 high was \$175).

New York Central: This stock hit a low of \$9 in mid '32 ('29 high was \$257).

Electric Auto-Life

Auburn Auto: From April 1930 to June 1930 this stock went from \$260 to \$95 in only 2 months.

Ingersoll Rand

Commercial Solvents

Chesapeake & Ohio

Bethlehem Steel: A huge prior monster stock during the '20s this leader broke hard during the '29 crash, regained some ground in early 1930 and then collapsed from near \$100 in April '30 down to \$10 in mid 1932.

Atlantic Refining: This stock falls from \$51 down to \$9 by mid '32.

RCA: This stock hit a low of \$12 in mid '32 ('29 high was \$574).

General Electric: This stock hit a low of \$136 in mid '32 ('29 high was \$1,612).

### **03/1937 - 03/1938**

After a strong market the prior several years a new recession started in May '37 and leading stocks had already started topping in March. Loeb noticed this and went to a 100% cash position in the summer of '37. Dreyfus noticed it too and defied his firms top economist - market started the downtrend the very next day. From mid August to November '37 the Dow dropped 30%. It was down 25% for the year and by March '38 the market fell back to a level not seen since March 1935.

Prior Leaders Topping and Correcting:

AT&T

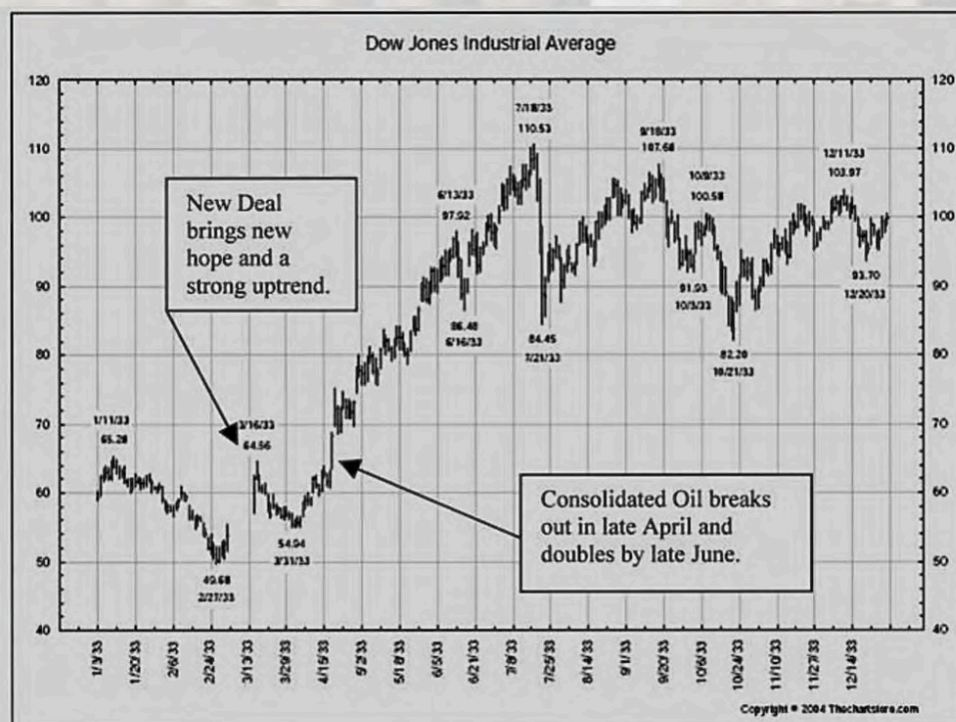
Bethlehem Steel

Chrysler

General Electric

General Motors





**Figure A-16** Dow Jones Industrial Average Daily Chart, 1933



### 03/1933 - 07/1933

A short but very strong 122% move up off what turned out to be part of the bottoming process of the brutal bear market that dropped the Dow 89% from its September 1929 peak - the worst bear market in history. The latest recession also ended in March 1933 and The New Deal brought some much needed hope.

#### Leading Stocks:

Chrysler: Loeb buys this renewed leader and scores a solid profit in a short time frame.

Consolidated Oil: This goes from \$6.50 to \$15 in only 11 weeks.

General Motors

Standard Cap and Seal: This soars from \$10 to \$45, or 350%, during the quick uptrend.

Minneapolis-Honeywell Regulator

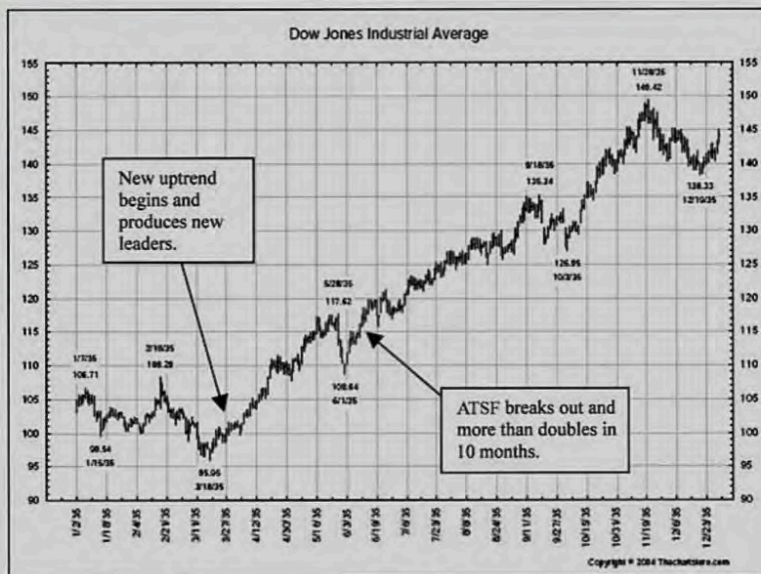


Figure A-17 Dow Jones Industrial Average Daily Chart, 1935



Figure A-18 Dow Jones Industrial Average Daily Chart, 1936



### 03/1935 - 03/1937

A strong 130% uptrend that lasted two years with no major corrections (greater than 15%) as the economy was strengthening and new issues began to climb back after the worst bear market in history. Gerald Loeb's classic book *The Battle For Investment Survival* came out and he did very well during this strong uptrend.

#### Leading Stocks:

Air Reduction

**American Bank Note:** This breaks out in May 1935 at \$22 and soars 155% by April 1936 on excellent price and volume action.

American Express

American Telephone and Telegraph (AT&T)

**Anaconda Copper Mining:** A major monster, this zooms 267% (\$15 to \$55) in 18 months.

Atchison, Topeka and Santa Fe (ATSF): From a \$42 breakout in June 1935, this goes to \$86 in April 1936 (105% in 10 months).

Bulova Watch: This major monster soars from a \$6 breakout to \$37 (up 517%) in 13 months.

Deere & Co.

**Chrysler:** This is up 86% from just July 1935 to December 1935. This was a big winner for Loeb - he did very well during this uptrend.

General Motors

Goodrich: This breaks out in November 1935 at \$10.50 and hits \$21 (up 100%) into February 1936.

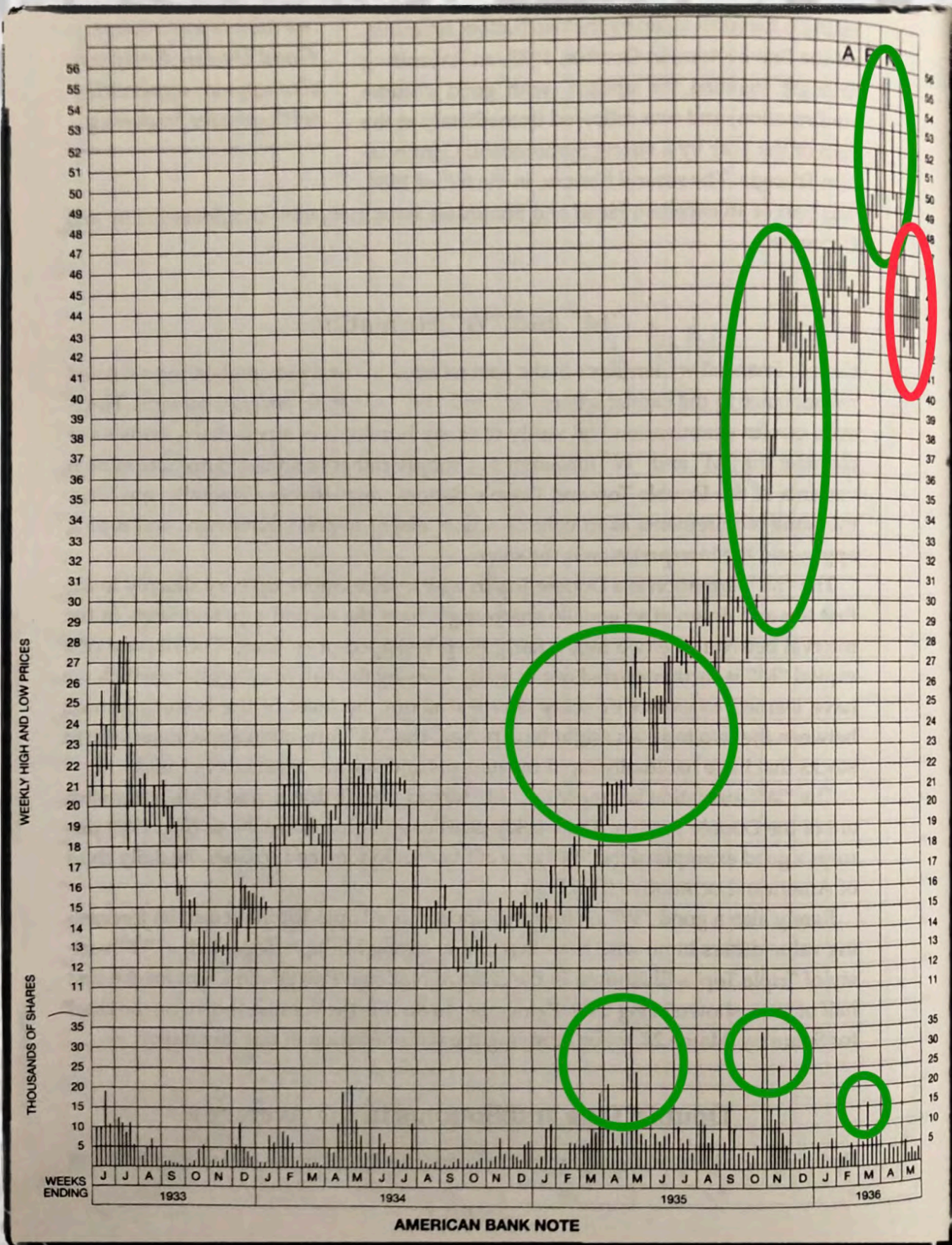
Greyhound: After a perfect breakout on huge volume in February 1935 (one of the first leaders), it goes from \$24 to \$51 (up 112%) by late June 1935.

International Nickel

U.S. Rubber

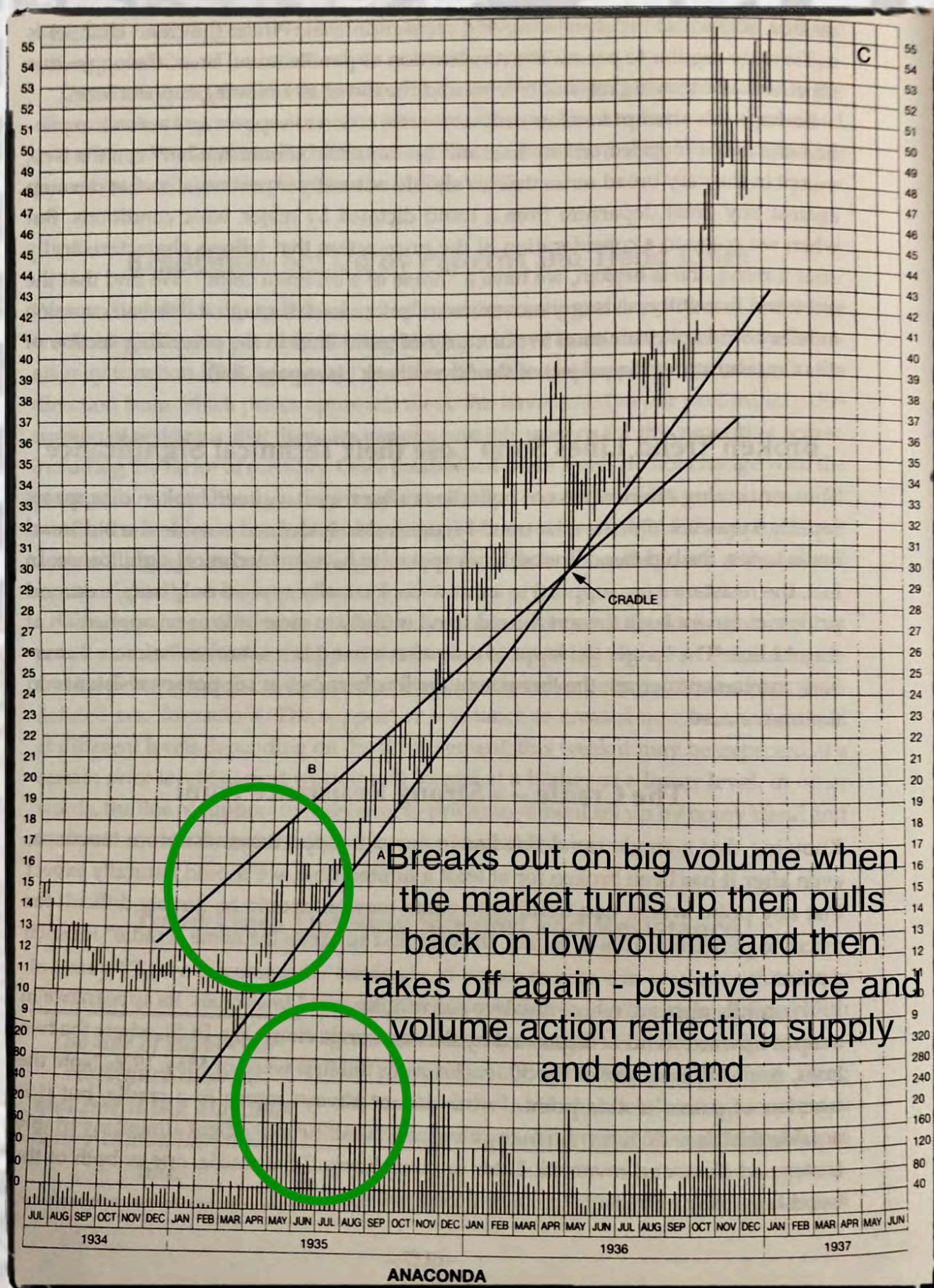
Western Union Telegraph: From a July 1935 breakout at \$35, it hits \$77 in November 1935.





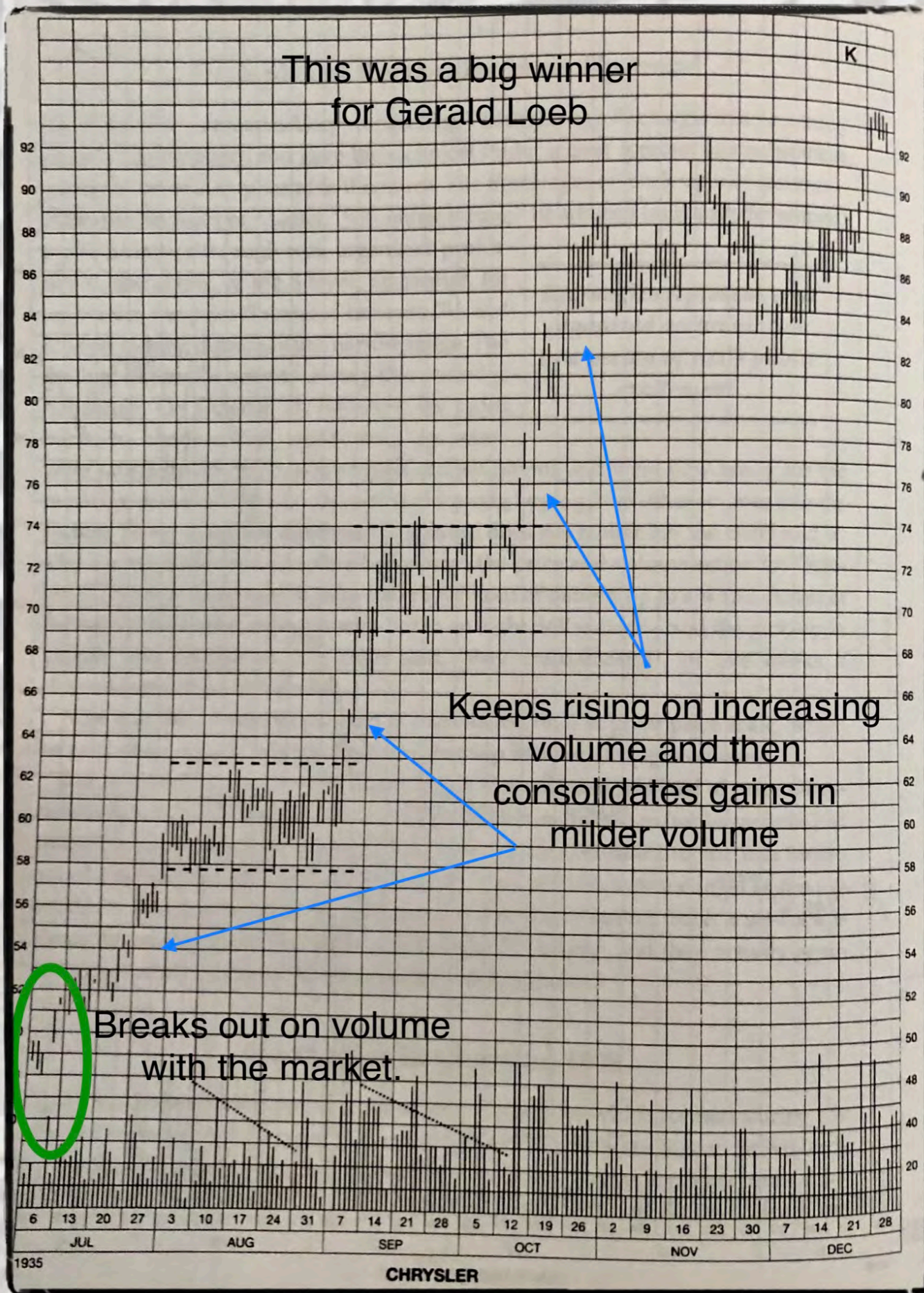
Source: Schabacker, Richard W. *Technical Analysis and Stock Market Profits*. Financial Times, 1937. All rights reserved.





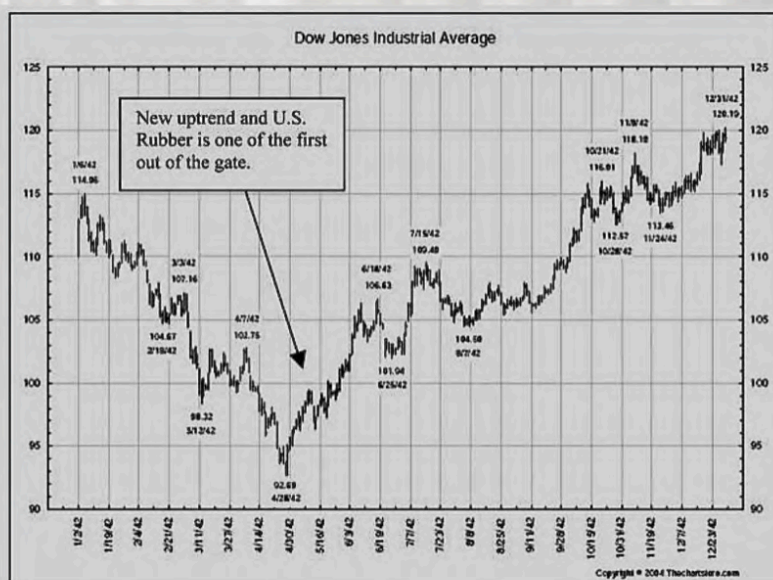
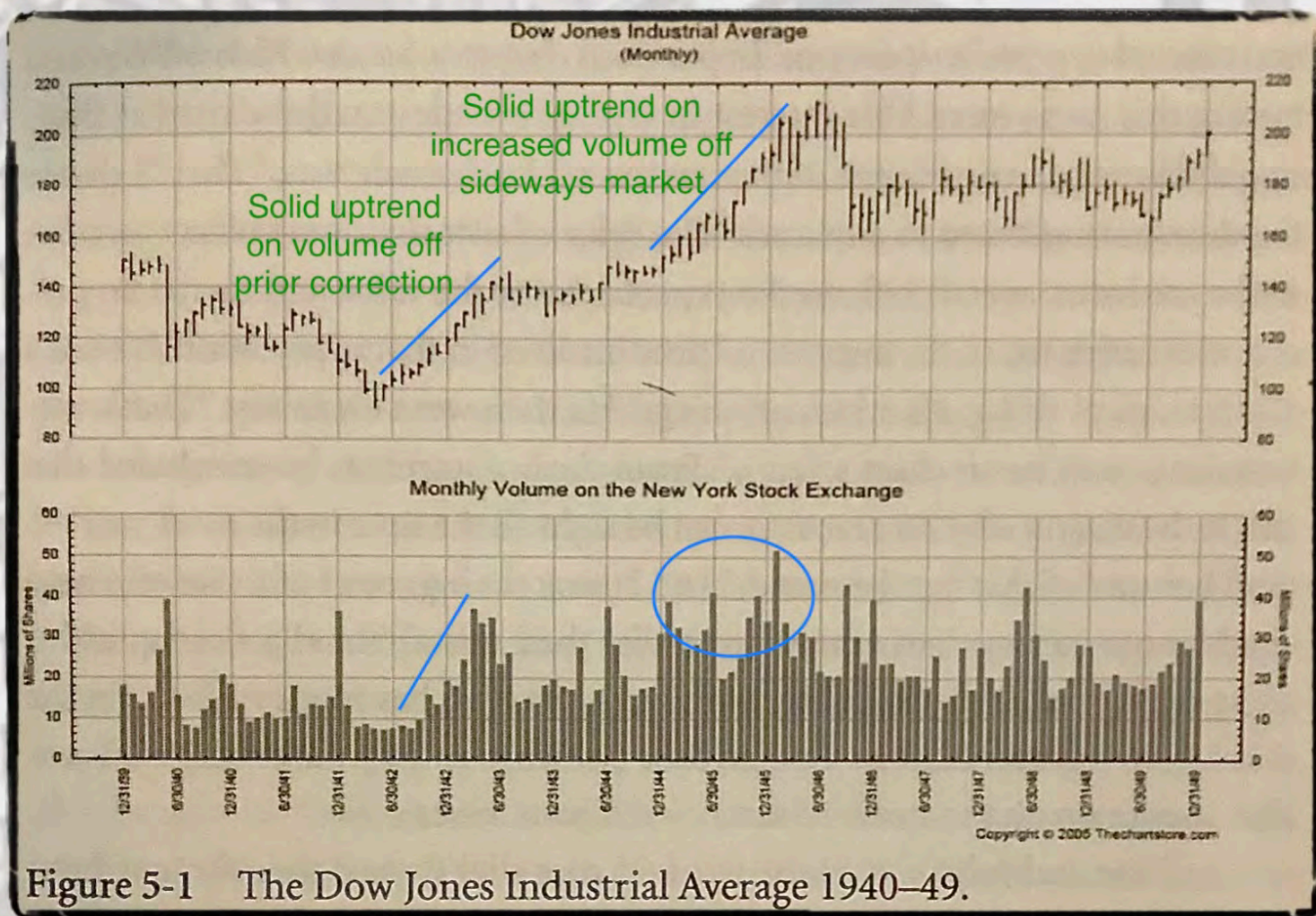
Source: Schabacker, Richard W. *Technical Analysis and Stock Market Profits*. Financial Times, 1937. All rights reserved.



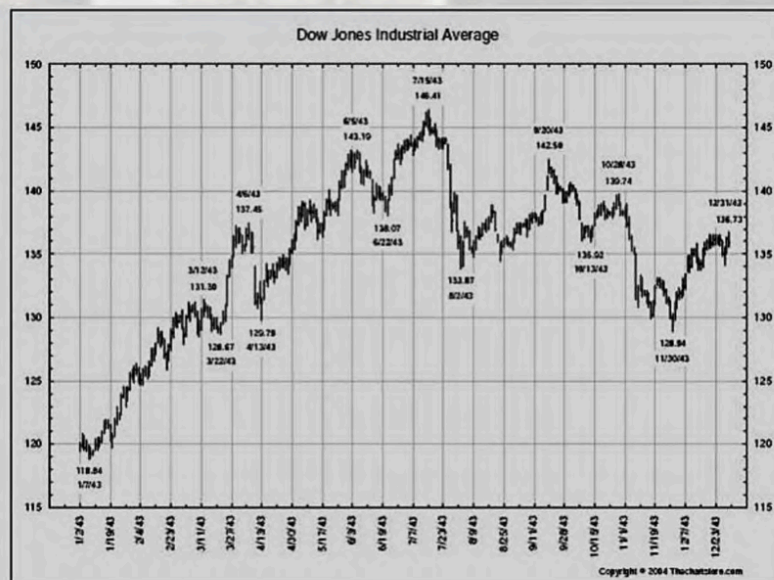


Source: Schabacker, Richard W. *Technical Analysis and Stock Market Profits*. Financial Times, 1937. All rights reserved.





**Figure A-19** Dow Jones Industrial Average Daily Chart, 1942



**Figure A-20** Dow Jones Industrial Average Daily Chart, 1943



## 05/1942 - 07/1943

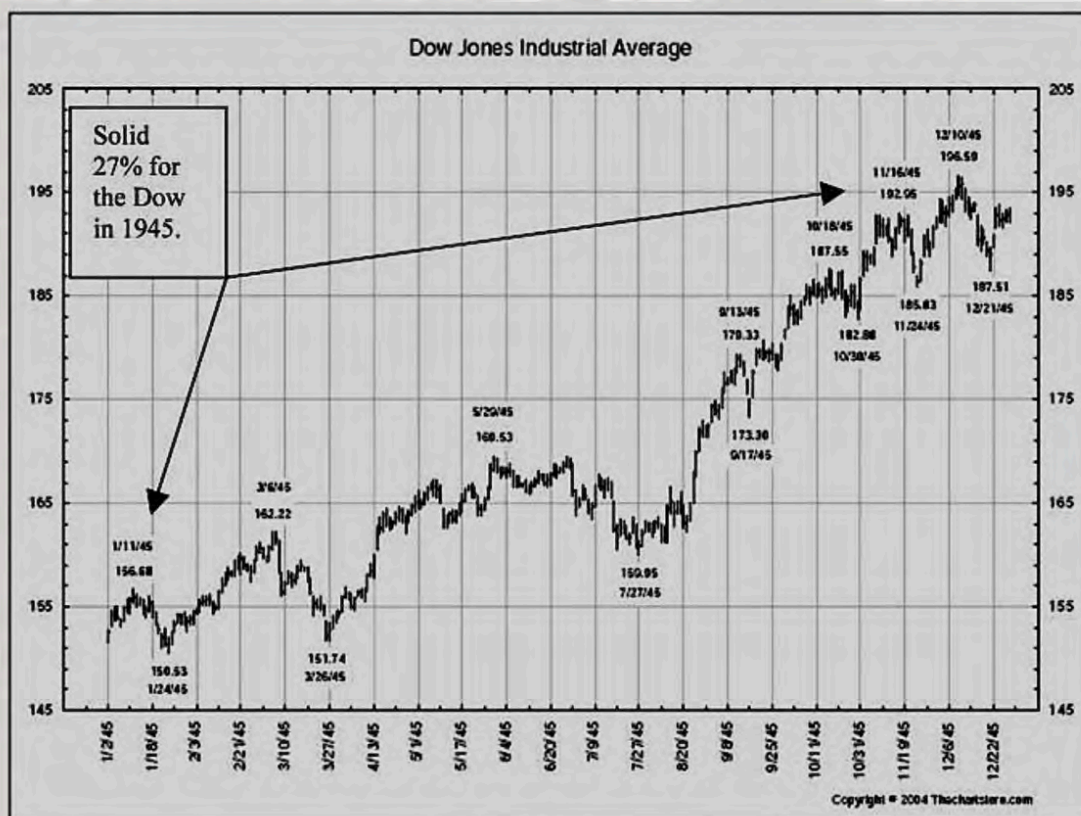
A solid 58% uptrend in only 10 months that came off the bottom of a major correction, due to war issues and concerns, with no major corrections (greater than 15%). In April 1942, a reporter from California who wanted to get a take on the market at the current time interviewed Gerald Loeb, who stated, “ ... the market today offers opportunities of 1932, even though, as yet, it is clear that the trend has not changed from down.” Here we see an experienced and knowledgeable operator relying on his past market cycle knowledge and understanding of how the market works to try and identify what the current situation looked like. He stated this when the trend had not yet changed, but he offered up at least the point that one should not take their eyes off the market when there could be the possibility of a change based on historical market action. He made those statements just before the market turned and would advance over 130% during the next two years. Also in the interview he stated, “When the news gets good, and the situation clarifies, it will be too late.” He of course saw the trend change shortly after his comments, and he bought heavily into U.S. Rubber, as the prospects for the rubber industry were strong and he latched onto an early leader - one of the first stocks to breakout. He also bought at the right time, which is usually when most are scared and afraid to take a position. But, again, his experience gave him the confidence to know that the timing was right. His profit on US Rubber was one of his biggest up to that point.

### Leading Stocks:

Schenley Distilling

US Rubber: This stock becomes a huge winner for Loeb.





**Figure A-21** Dow Jones Industrial Average Daily Chart, 1945

## 12/1944 - 02/1946

A 40% uptrend in 14 months that really got going in late summer '45 as Japan surrendered from the war. Peacetime stocks then started to race higher along with some prior leaders.

### Leading Stocks:

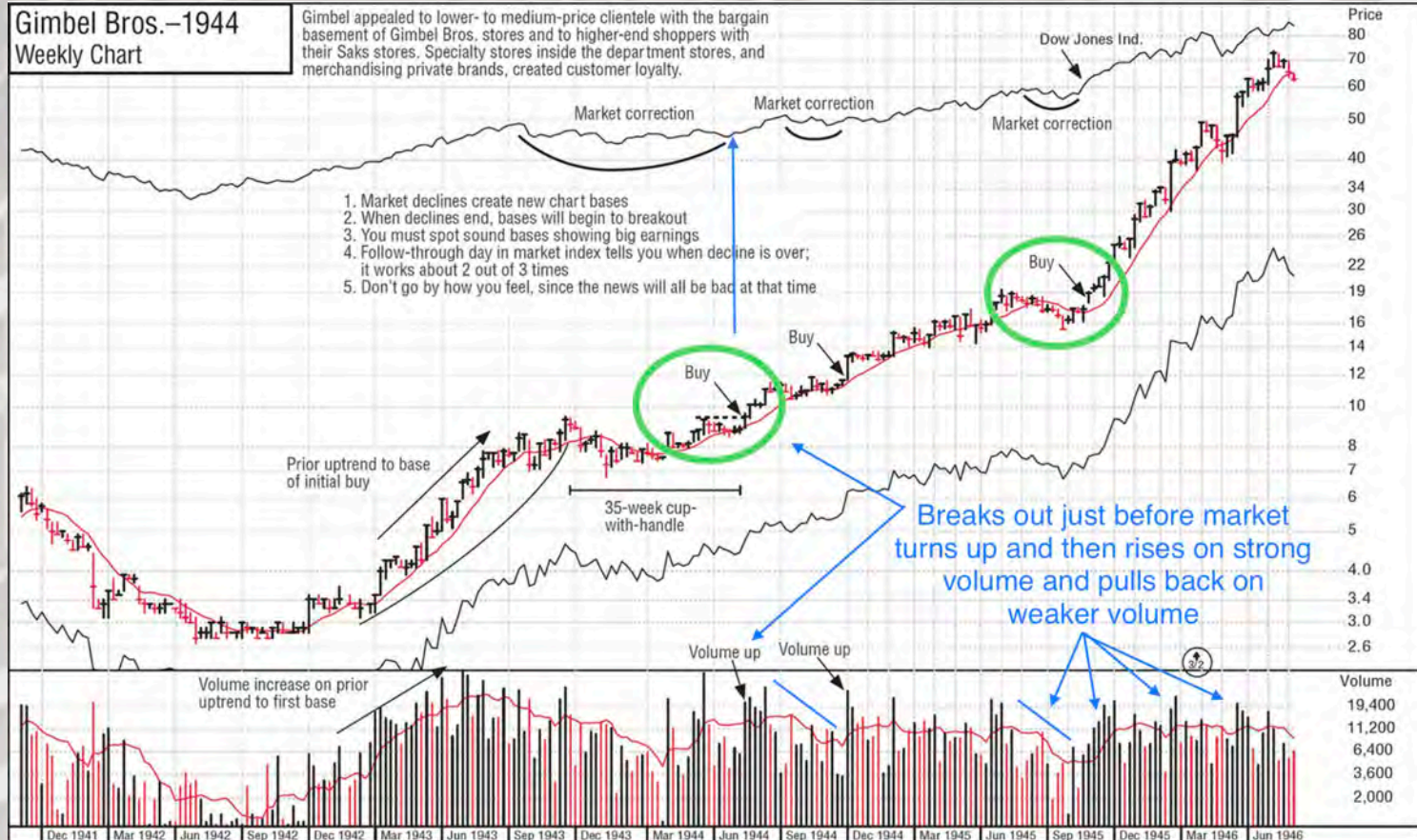
- AT&T
- Bethlehem Steel
- General Motors
- IBM
- U.S. Steel
- Warner Brothers
- Condé Nast Publications

**Gimbel Brothers:** This stock breaks out early in June '44 and doubles by September '45 and then really took off in early '46.



## Gimbel Bros.-1944 Weekly Chart

Gimbel appealed to lower- to medium-price clientele with the bargain basement of Gimbel Bros. stores and to higher-end shoppers with their Saks stores. Specialty stores inside the department stores, and merchandising private brands, created customer loyalty.

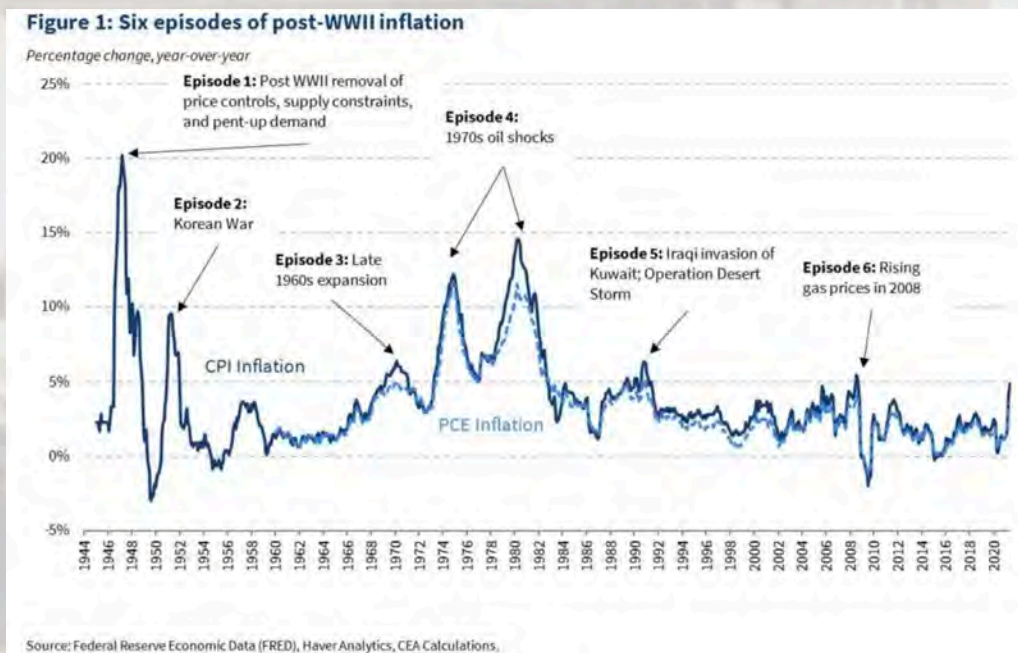


Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.

## Other Notable Market Corrections

**10/1941 - 05/1942** Mostly caused by the possibility of entering WWII (Pearl Harbor attack in 12/1941).

**05/1946 - 10/1946** Quick sharp decline as inflation, rising rates, and rumblings of a Cold War startled the market. The inflation chart shows the large spikes of inflation - all led to downtrends in the market.





## Historic Cycles & Monster Stocks 1950 - 1970s

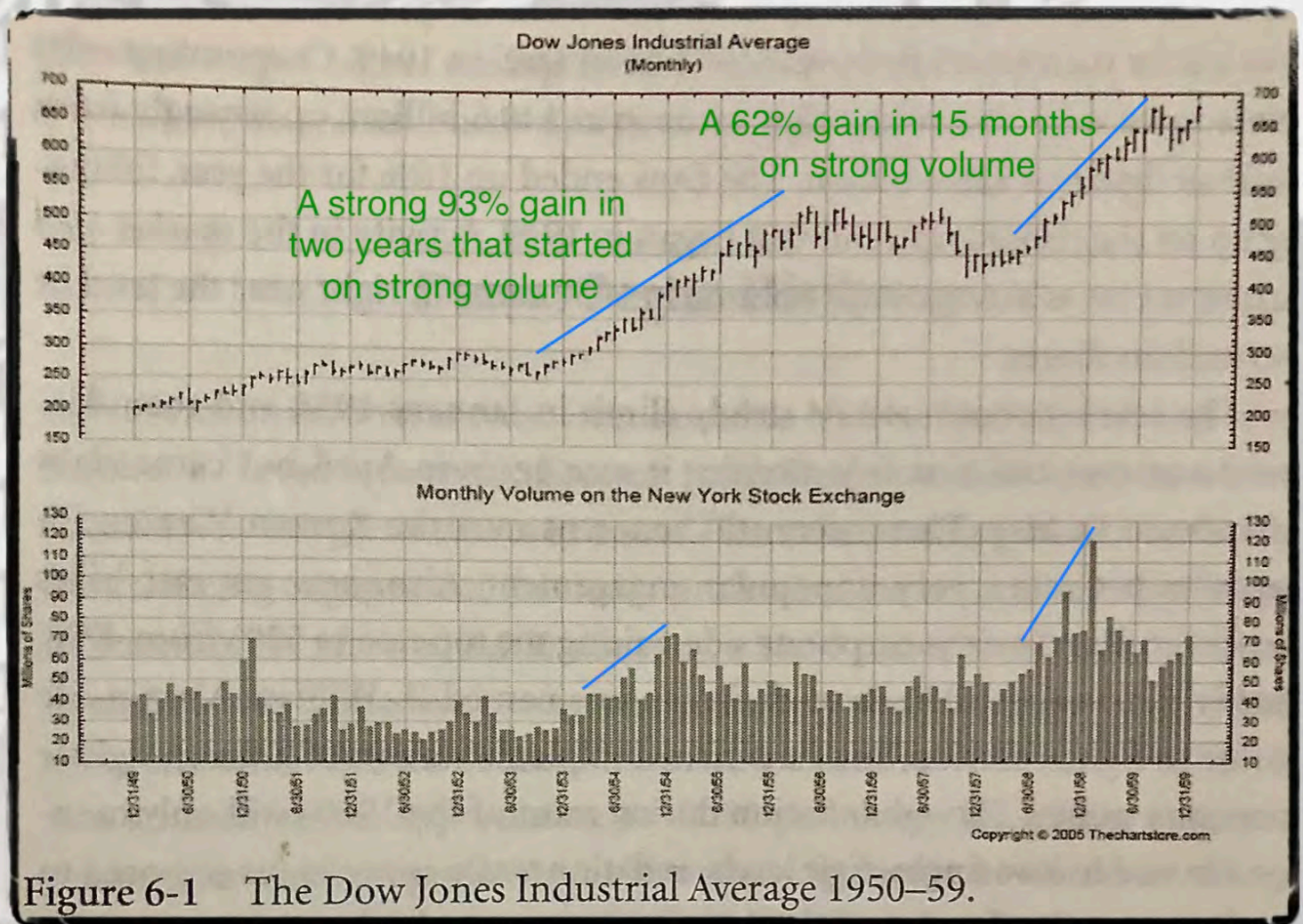


Figure 6-1 The Dow Jones Industrial Average 1950-59.

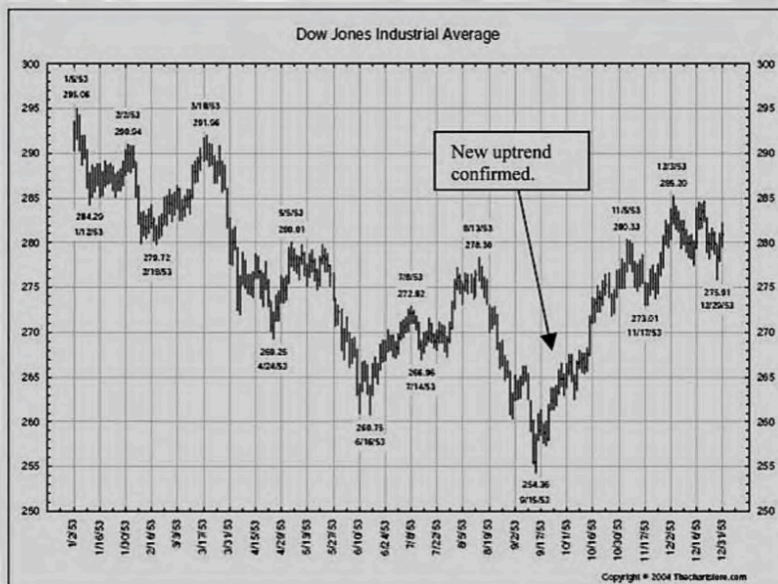


Figure A-22 Dow Jones Industrial Average Daily Chart, 1953

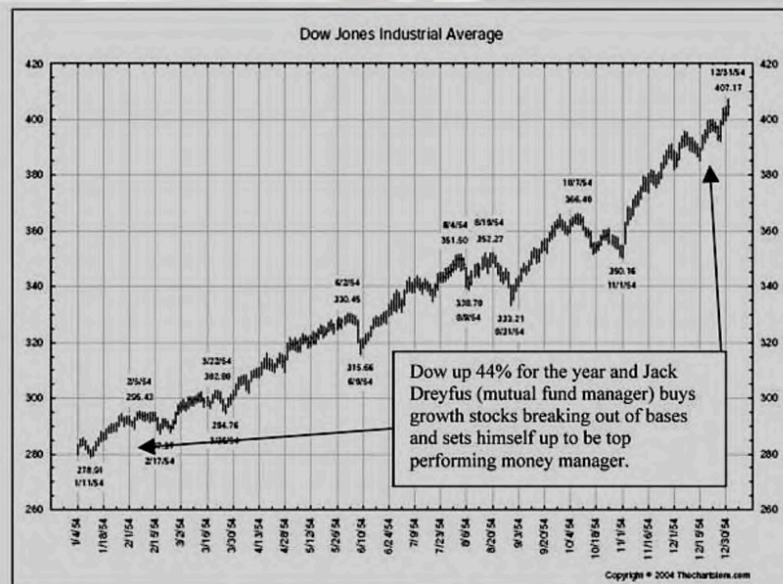


Figure A-23 Dow Jones Industrial Average Daily Chart, 1954





**Figure A-24** Dow Jones Industrial Average Daily Chart, 1955

### 09/1953 - 09/1955

A strong 93% uptrend in 24 months on big volume occurred as the Korean War ended during this time and a short recession ended in May '54. The market finally recouped its 1929 high on the Dow (it only took 24 years) and the economy was picking up. Gerald Loeb and Jack Dreyfus did very well during this uptrend.

#### Leading Stocks:

Chrysler: There's another monster run from this leader that Loeb grabs again.

Polaroid: This monster stock becomes Dreyfus' leading price performer.

Warner Brothers: Loeb scores another big gain with this stock.

Outboard Marine

Kaiser Aluminum

### Other Notable Market Corrections

**09/1956 - 02/1958** Inflation, rising rates and then a recession that started in August '57 and ended in April '58. This downtrend was avoided by Dreyfus and Darvas.



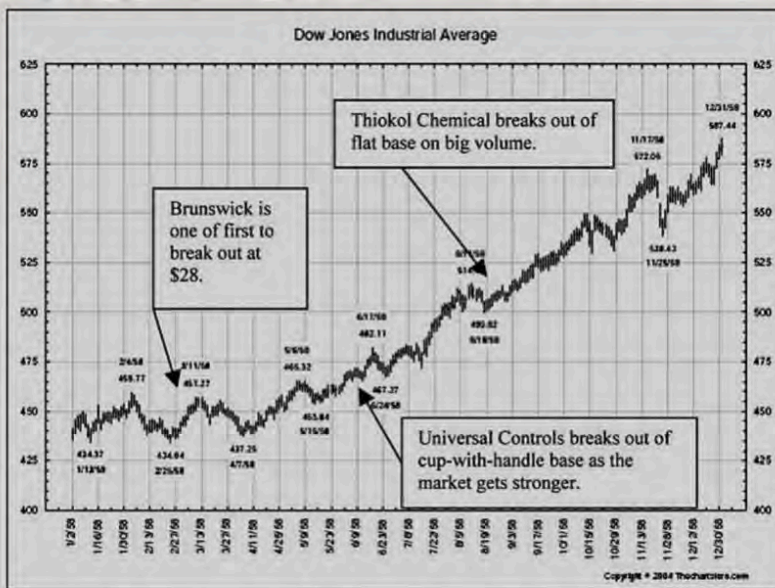


Figure A-25 Dow Jones Industrial Average Daily Chart, 1958



Figure A-26 Dow Jones Industrial Average Daily Chart, 1959

### 03/1958 - 08/1959

A strong 62% uptrend in 15 months on big volume that kept increasing as the market kept moving higher. The market started moving higher in March '58 and another short recession ended in April '58. New technology leaders were starting to break out and Brunswick was one of the first (see O'Neil's homework chart below). Once again, Loeb and Dreyfus scored big gains during this uptrend and Nicolas Darvas gained his fame as he really hit it out of the park to make a name for himself.

#### Leading Stocks:

**Brunswick:** This is a major monster that rockets 270% from early 1958 to August 1959 and then keeps going all the way to March 1961 (up over 1,500% over the entire run) with the introduction of automated bowling alleys.

**E.L. Bruce:** This breaks out in the spring of 1958 near \$20. It soars to the low \$50s and then forms a high tight flag; Nicolas Darvas ends up selling at \$171 in the over-the-counter market.

**Fairchild Camera and Instrument:** This late leader breaks out in late 1958 and soars nearly 600% during most of 1959; it's another big winner for Darvas

**Lorillard Tobacco:** This monster stock nearly triples in 1958 alone; it's one of Nicolas Darvas' big winners.

**Polaroid:** Dreyfus continues gaining with this monster stock. He ended up with a 800% gain on the stock.

**Texas Instruments:** An early 1958 leader, this stock breaks out over \$30 and hits over \$190 by late 1959; it's another winner for Darvas.







## LORILLARD

Directly from 'How I Made \$2 Million In The Stock Market'

Darvas asked for daily quotes on this stock after observing the sudden rise in volume at (A) when it "began to emerge from the swamp of sinking stocks like a beacon."

He bought his first 200 shares of LORILLARD at 27½ (B) with the very narrow stop-loss of 26. A few days later a sudden drop (C) touched off this stop-loss and he was sold out.

The immediate rise which followed convinced Darvas that his first assessment was correct, and he bought his 200 shares again at 28¾ (D).

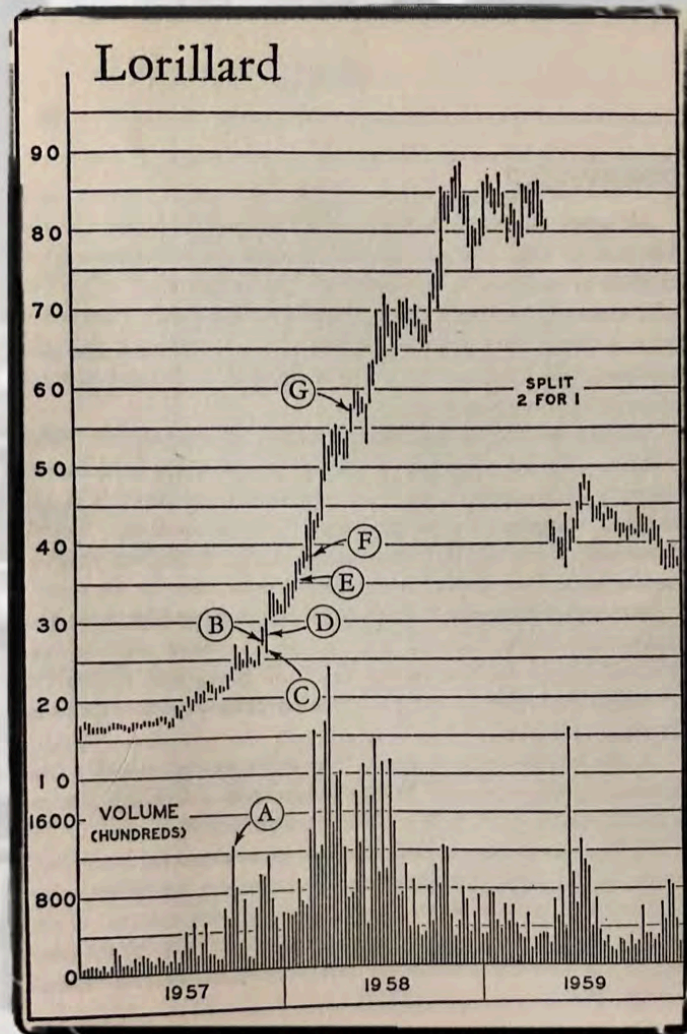
As the "boxes" piled up, Darvas bought another 400 shares at 35 and 36½ (E). The stock rose rapidly to a new high of 44¾.

A sudden drop to a low of 36¾ on February 18th scared him into raising his stop-loss to 36. This was not touched off, and the stock picked up momentum immediately, so he purchased a final lot of 400 shares at 38⅝ (F).

As LORILLARD continued its sensational rise in price and volume, Darvas was strongly tempted to sell for a quick profit. But he adhered to one of the basic principles of his theory—"There is no reason to sell a rising stock"—and trailed his stop-loss at a safe distance behind the rise.

Except for the possibility that, with a very close stop-loss, he might have been sold out in June when there was a sudden drop to 53⅜, Darvas might easily have continued with LORILLARD on its phenomenal rise into the 80's at the end of the year.

However, in May he became extremely interested in the movements of another stock for which he would need all the capital he could get. It was for this reason that he sold his 1,000 shares of LORILLARD early in May at 57⅜ (G) for a substantial profit of \$21,000. He was now ready to invest in E. L. BRUCE.



Source: Darvas, Nicolas. *How I Made \$2,000,000 In The Stock Market*. The Citadel Press/Kensington Publishing Corp., 1960. All rights reserved.



Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.



Directly from "How I Made \$2 Million In The Stock Market"

"A little, unknown company called UNIVERSAL PRODUCTS" caught Darvas' eye in July 1958, after a sudden enormous spurt in volume (A) was accompanied by a price rise from below 30 into a 32-36 range.

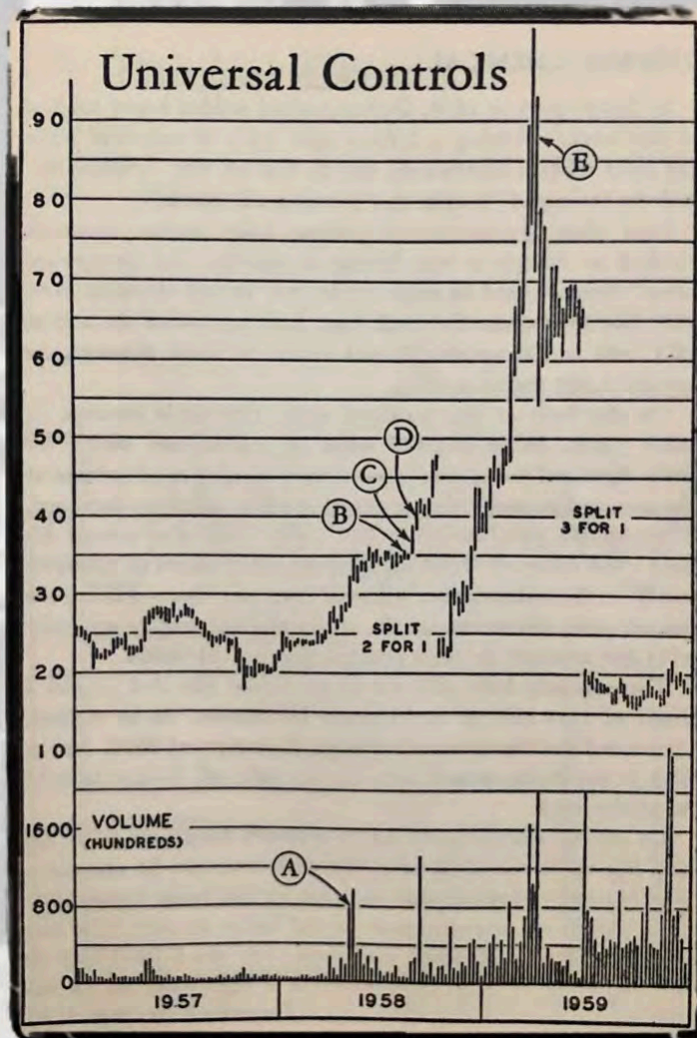
In the beginning of August he made a cautious pilot buy of 300 shares at  $35\frac{1}{4}$  (B). Two weeks later, as the stock began to "firm up", he purchased 1,200 shares at  $36\frac{1}{2}$  (C). Up it went, and days later he acquired 1,500 more at 40 (D).

Shortly afterwards, the company's name was changed to UNIVERSAL CONTROLS and the stock was split 2-for-1, so that he now had 6,000 shares.

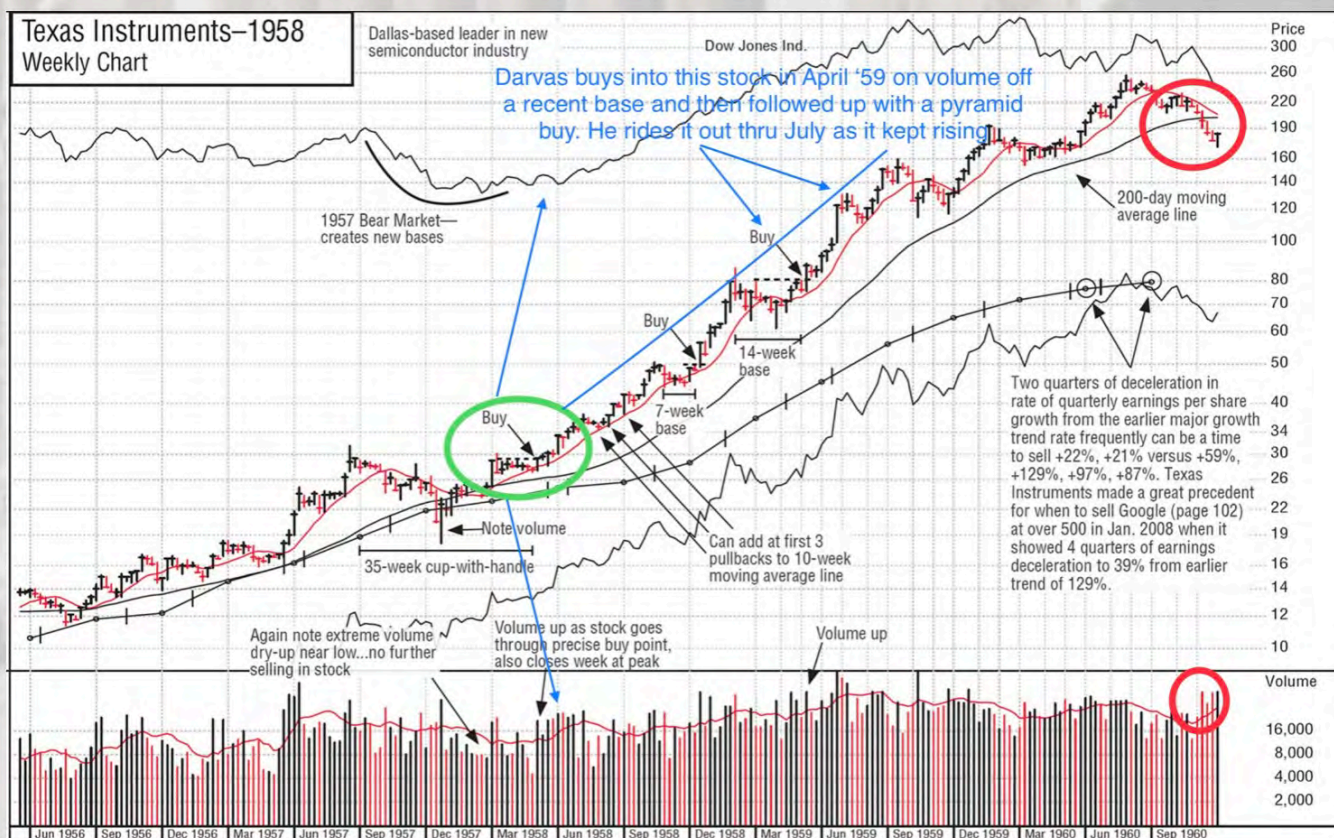
In January 1959 Darvas landed in New York and embarked on a series of operations that came near to ruining him. Fortunately, UNIVERSAL CONTROLS performed beautifully during this period and gave him not a moment's concern.

But in March something began to happen to UNIVERSAL that "spelled trouble and trouble surely came". After a wild 3-week rocketing from 66 to 102, "it switched its momentum and began to go in the other direction. I did not like the look of this drop at all. It fell as if in an air-pocket and there seemed no sign of a rise."

Darvas performed exactly as he had done with DINERS' CLUB in a similar situation. He raised his stop-loss to just below the last closing price and was sold out (E). His prices, ranging from 86¼ to 89¾, were more than 12 points below the high but he was "well content with this. There was no reason why I should be unhappy. I had had a good long ride and . . . a profit of \$409,000."



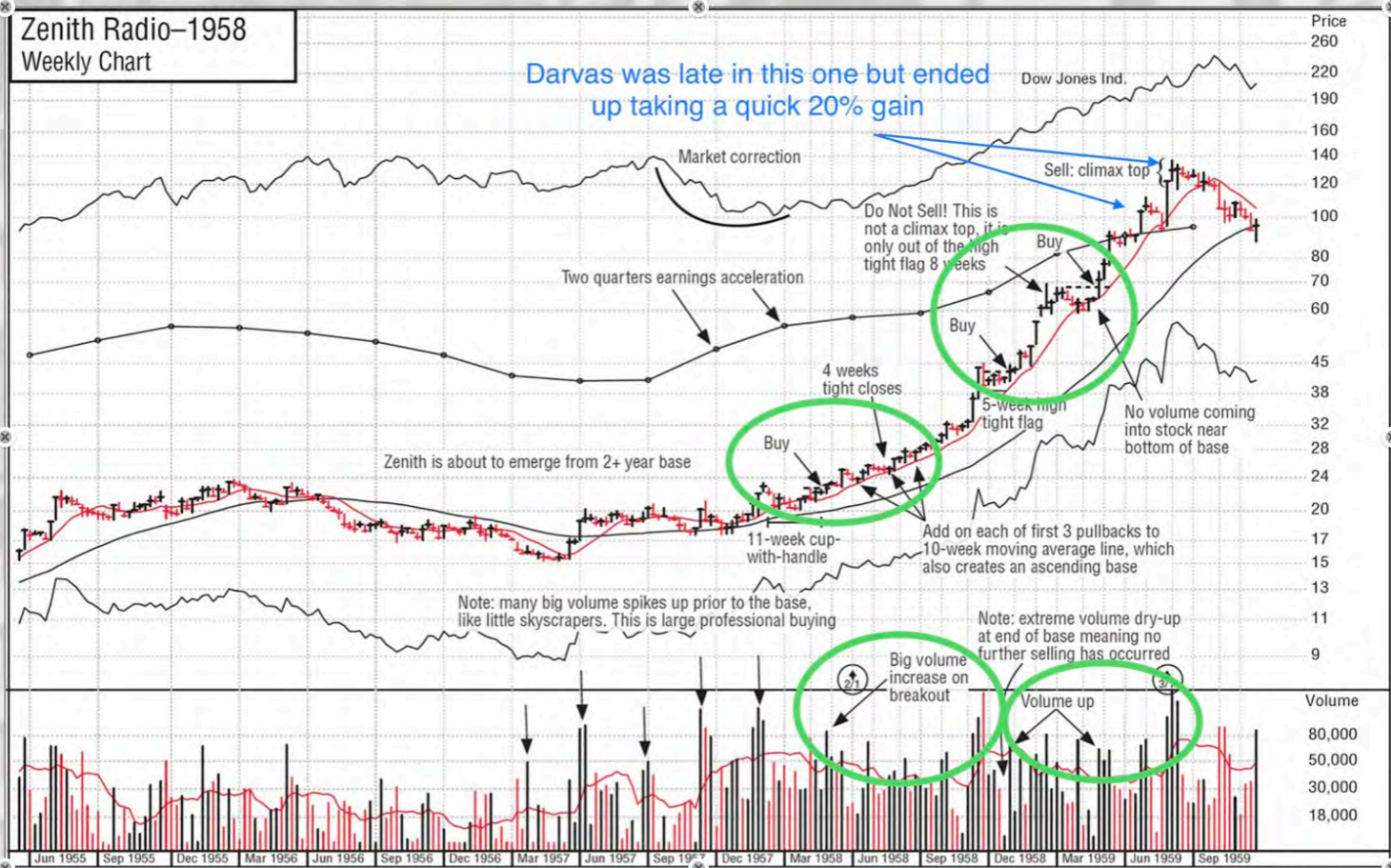
Source: Darvas, Nicolas. *How I Made \$2,000,000 In The Stock Market*. The Citadel Press/Kensington Publishing Corp., 1960. All rights reserved.



Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.



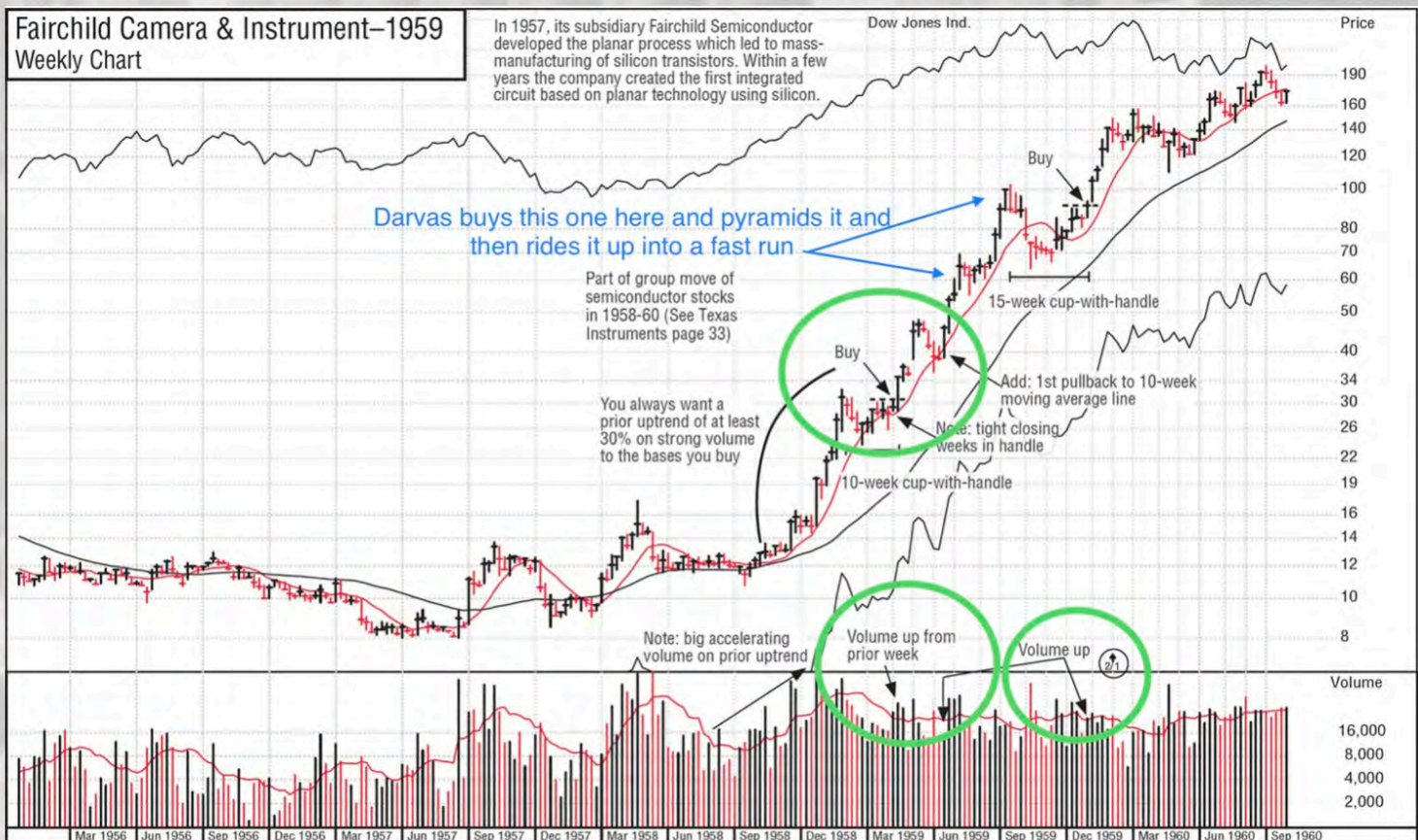
## Zenith Radio-1958 Weekly Chart



Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.

## Fairchild Camera & Instrument-1959 Weekly Chart

In 1957, its subsidiary Fairchild Semiconductor developed the planar process which led to mass-manufacturing of silicon transistors. Within a few years the company created the first integrated circuit based on planar technology using silicon.



Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.



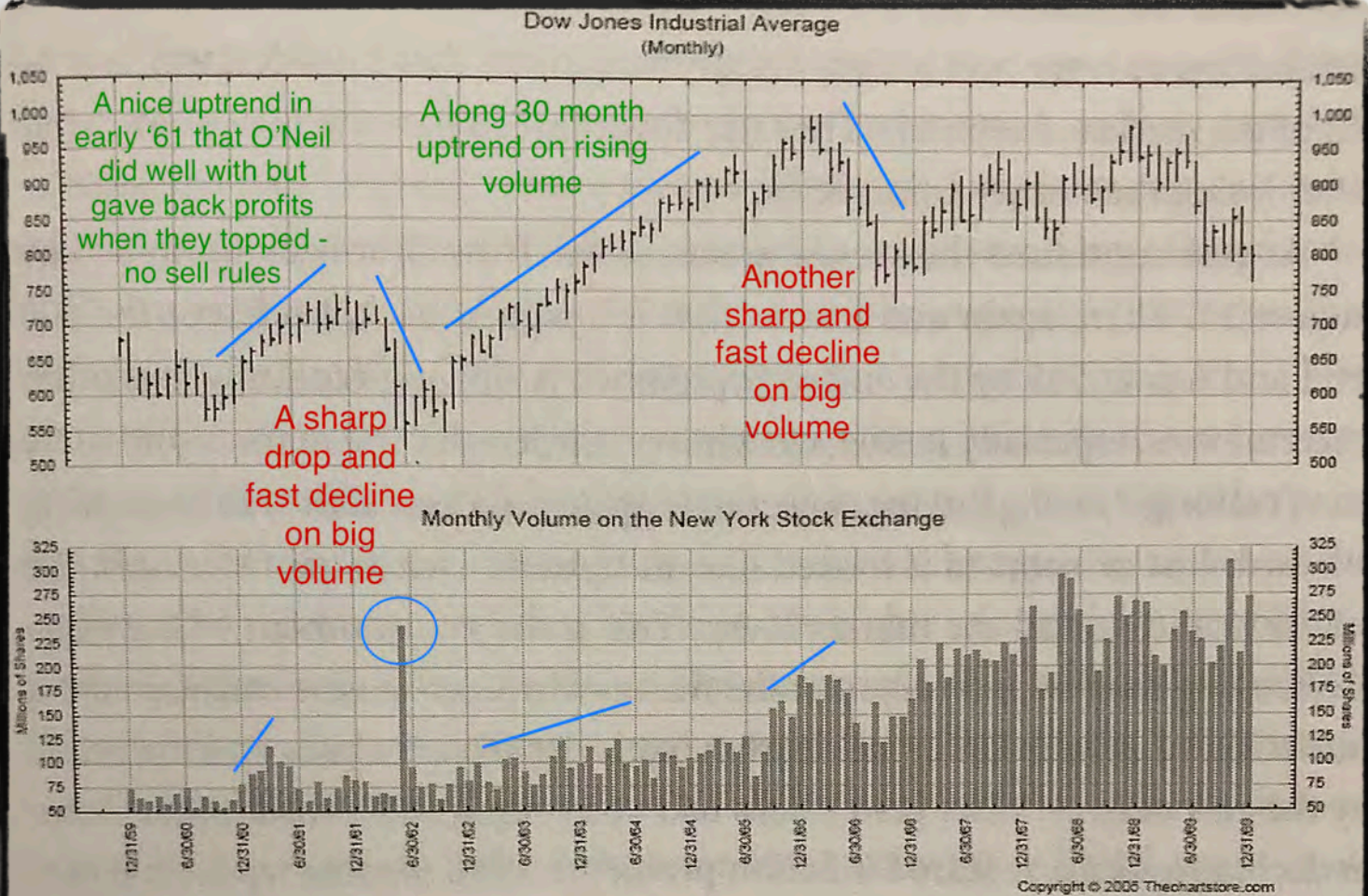


Figure 7-1 The Dow Jones Industrial Average 1960–69.

### 12/1961 - 06/1962

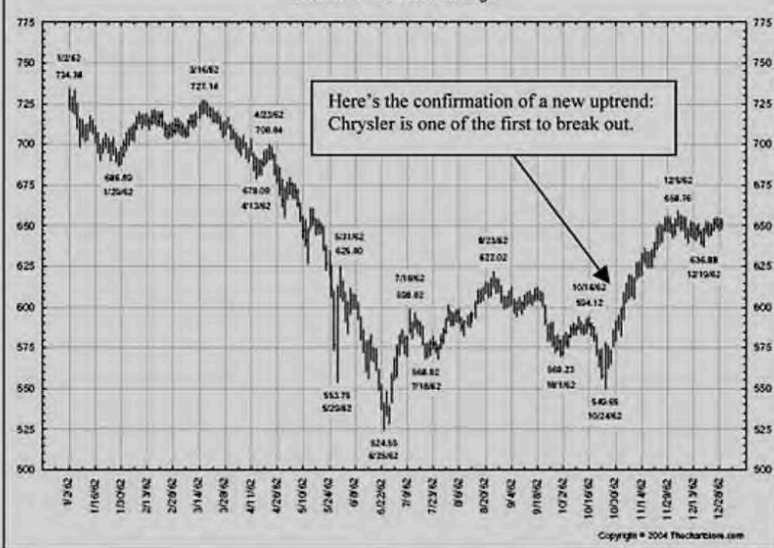
By the summer of '61 stocks started to stall and by early 1962 the market came down hard. The Kennedy administration was putting in price controls in the steel industry and unemployment was still stubbornly high. There was also the Cuban missile crisis occurring. Darvas was forced out of all his positions with his stop loss orders in place and in early spring O'Neil was 100% in cash but after giving back his profits due to not refining his sell rules. O'Neil then had just read *Reminiscences Of A Stock Operator* and saw the current market looking like the 1907 decline that Livermore had shorted. Therefore, O'Neil shorted Certain-tyed, Alside, and Korvette. The profits on those shorts were significant. In only six months the Dow was down 29% during that sharp downtrend.

### 02/1966 - 10/1966

After three strong years the market started topping as inflation and interest rates were rising along with Vietnam concerns. By early October the market was down 27% and many leaders had corrected hard (Boeing, Motorola, Simmons Precision, etc.). O'Neil and Loeb saw the early signs and were in cash in the spring. The market bottomed in mid October '66. The Dow fell 19% for the year.



Dow Jones Industrial Average



Dow Jones Industrial Average

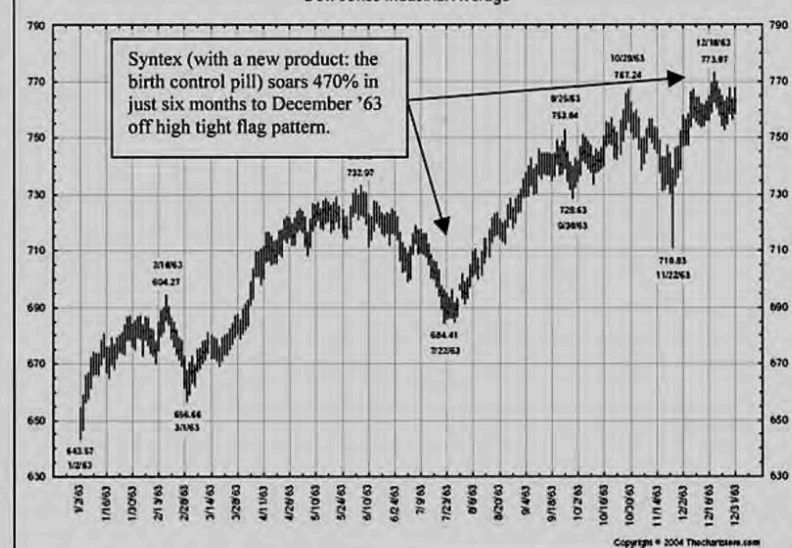


Figure A-27 Dow Jones Industrial Average Daily Chart, 1962

Figure A-28 Dow Jones Industrial Average Daily Chart, 1963

## 10/1962 - 05/1965

A long 30 month uptrend produces a 72% gain as the market finally finds a bottom in October '62 after the short lived but brutal bear market ended. A major tax cut was announced by President Kennedy in the fall of '62 along with the Soviets removing their missiles from Cuba. This uptrend is also the beginning of many decades of success for William O'Neil after he perfected his system by learning from his mistakes and studying history.

### Leading Stocks:

**Boeing:** From \$20 in January 1964 it soars 350% over 24 months.

**Chrysler:** A leader right at the start of the confirmed uptrend. Three of the greatest stock traders (Baruch, Loeb, and O'Neil) all buy it as it breaks out at \$59 from a cup-with-handle base and soars 350% over the next 24 months of the uptrend. See another one of O'Neil's homework charts below.

**Monogram Industries:** This is a monster stock that soars over 1,000% during this uptrend.

**Polaroid**

**Simmonds Precision:** Huge winner off a high tight flag pattern in '65 that looked just like Syntex in '63 and Rollins in '64.

**Syntex:** A major monster stock, this is one of O'Neil's big early winners.

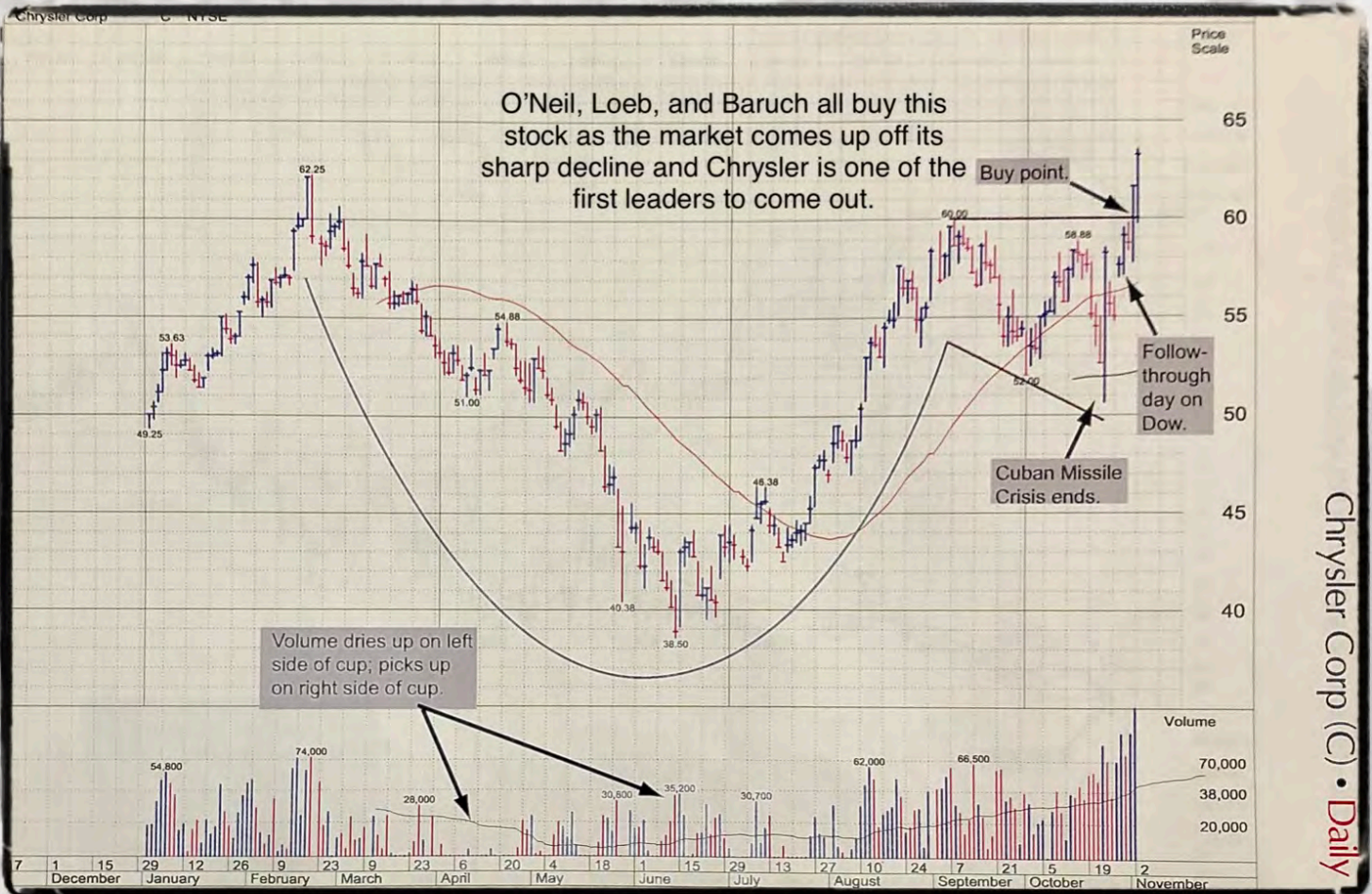
**Xerox**

**National Airlines**

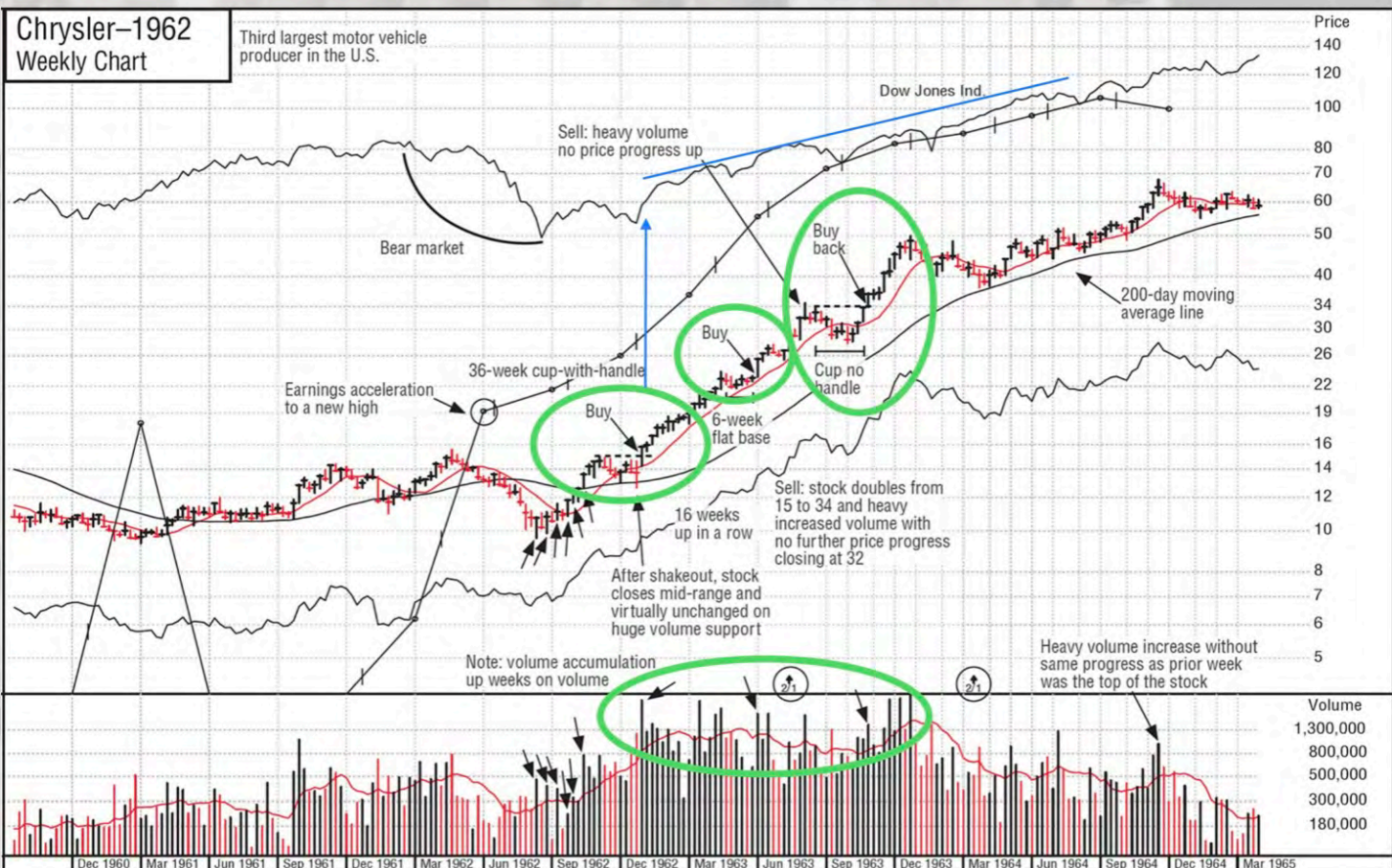
**Northwest Airlines**

**Rollins:** This stock has a huge run as it goes up nearly tenfold in less than one year.



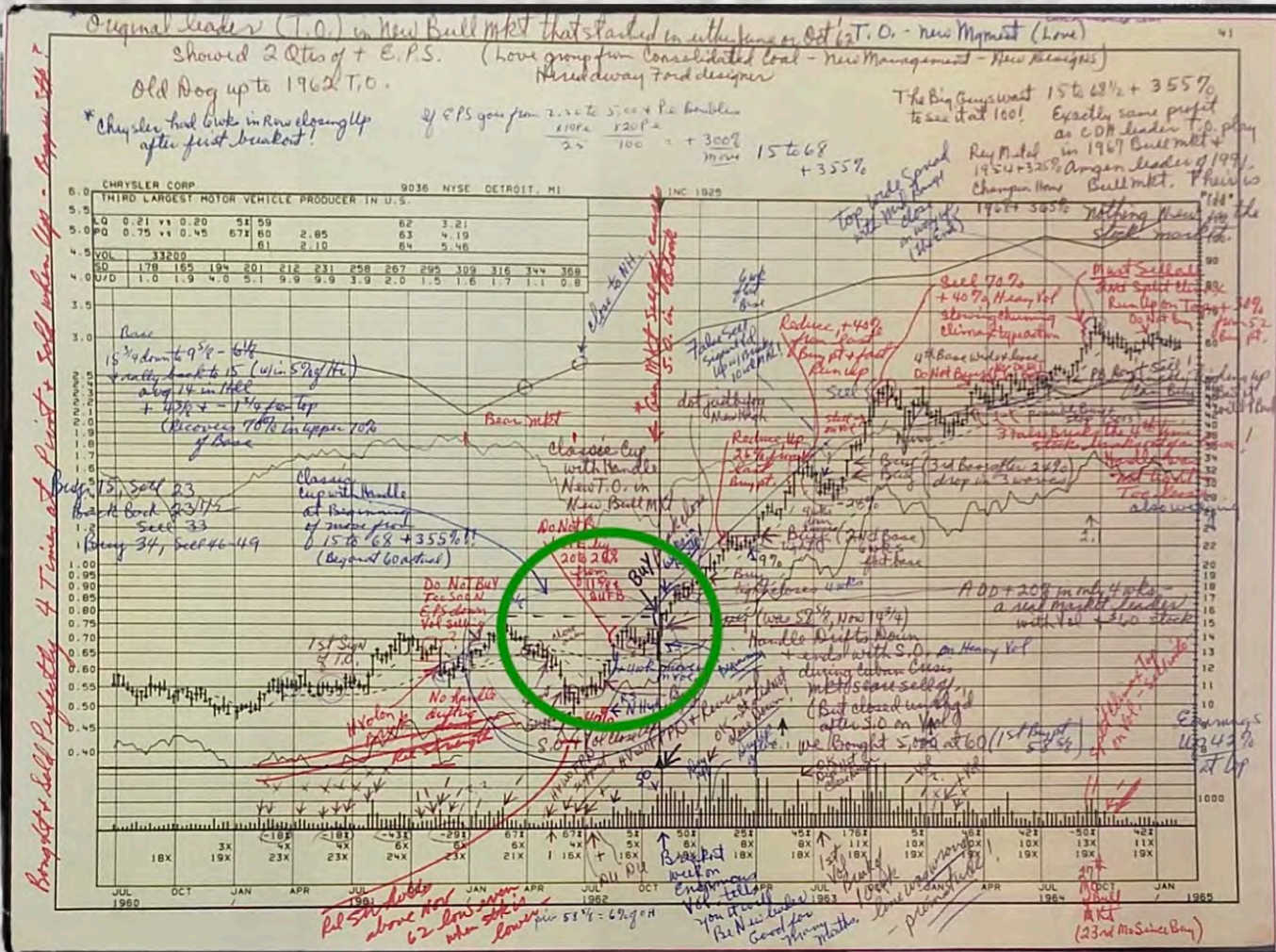


Source: Investor's Business Daily, Inc. *How To Master Charts & Manage Your Portfolio*, © 2004 by Investor's Business Daily, Inc. Used with permission.



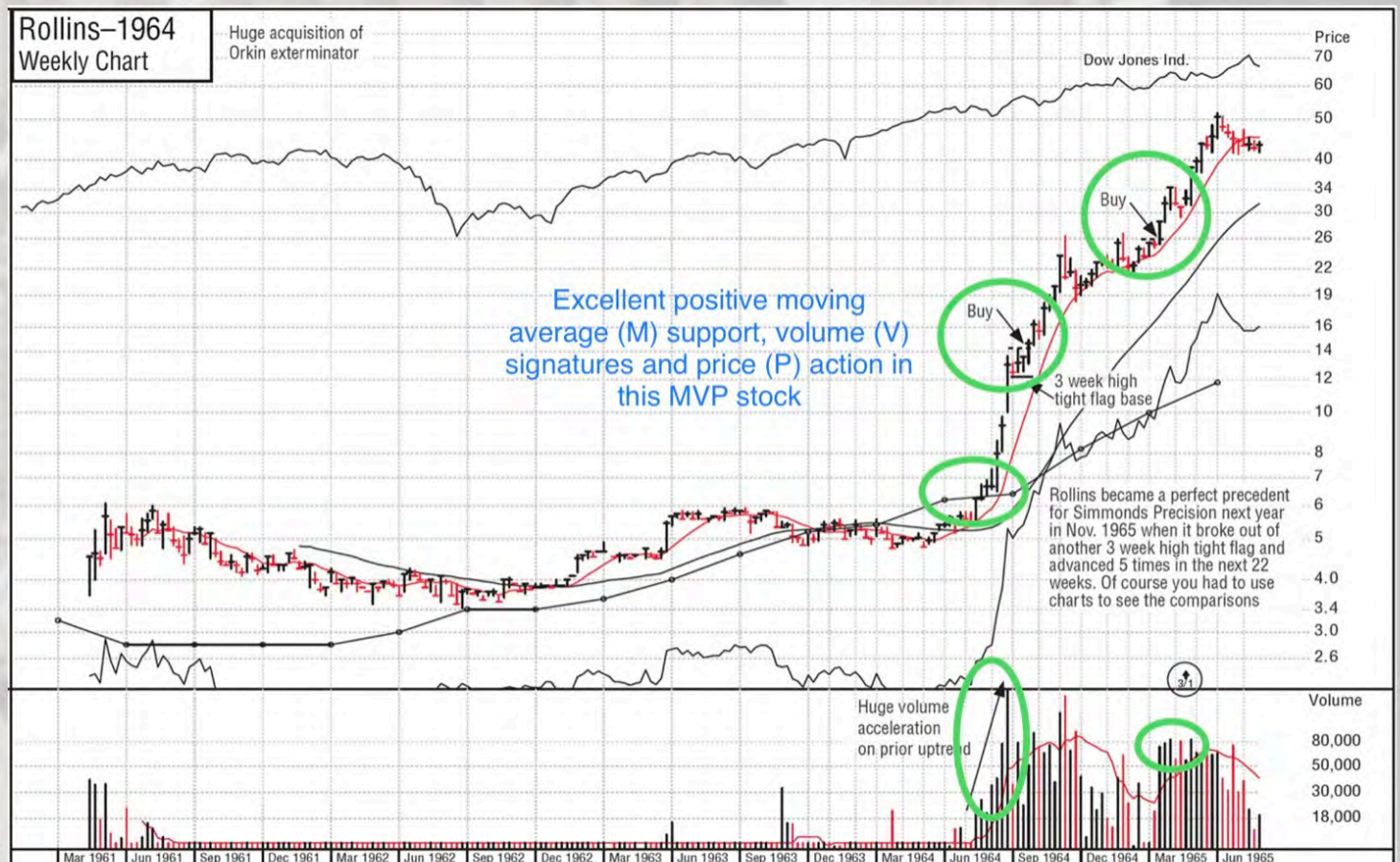
Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.





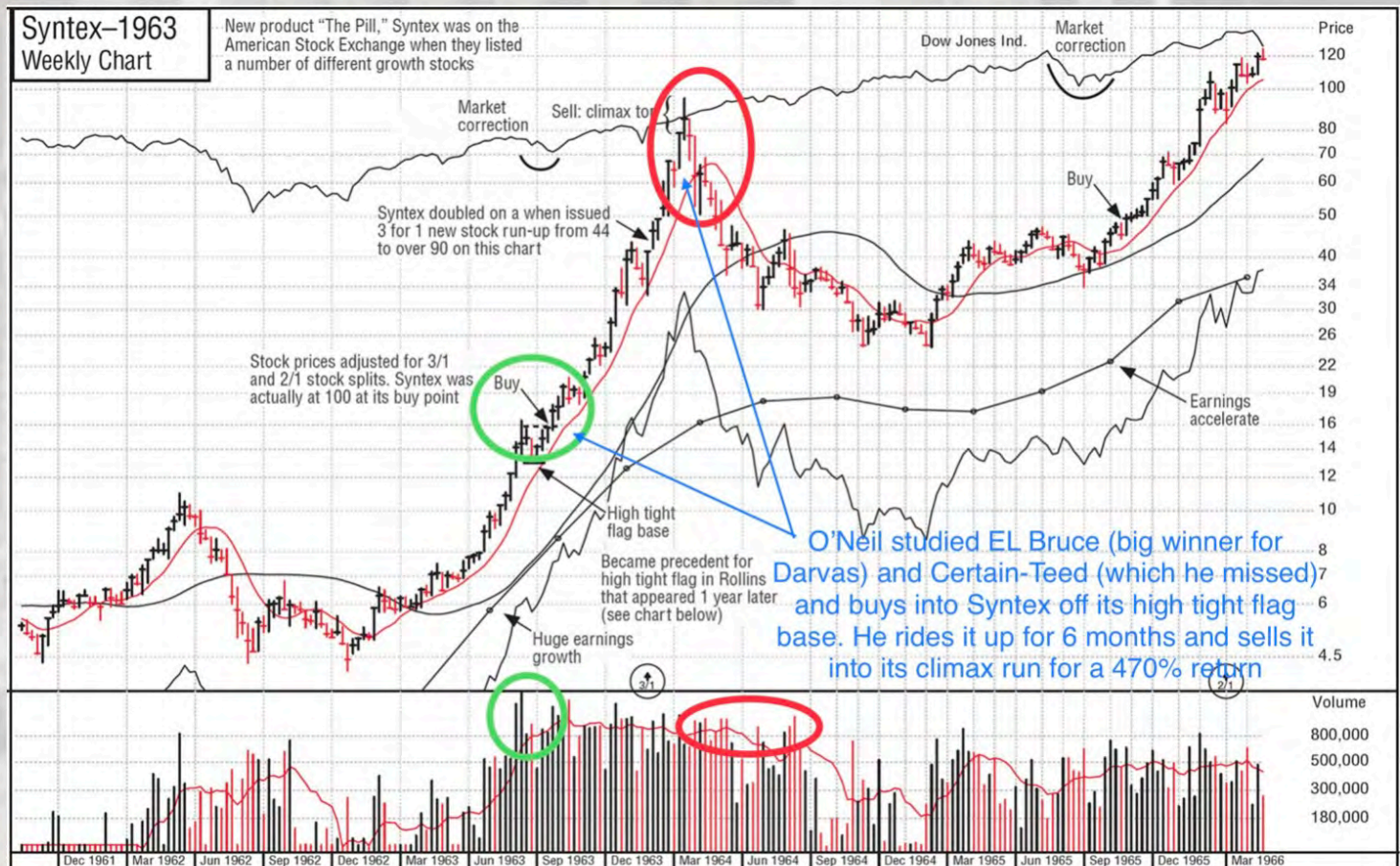
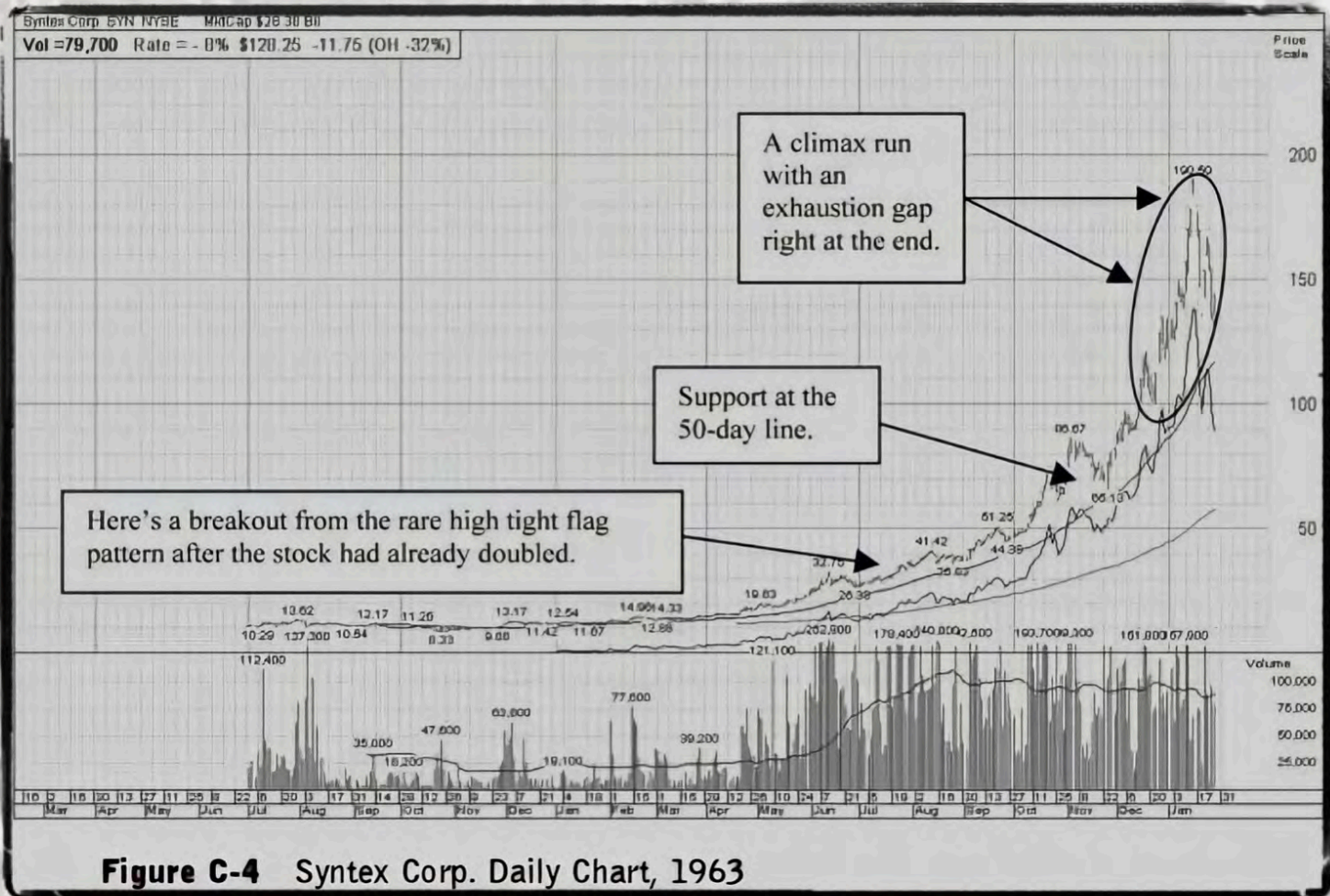
Chrysler (C) • Weekly

Source: Investor's Business Daily, Inc. *How To Master Charts & Manage Your Portfolio*, © 2004 by Investor's Business Daily, Inc. Used with permission.



Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.





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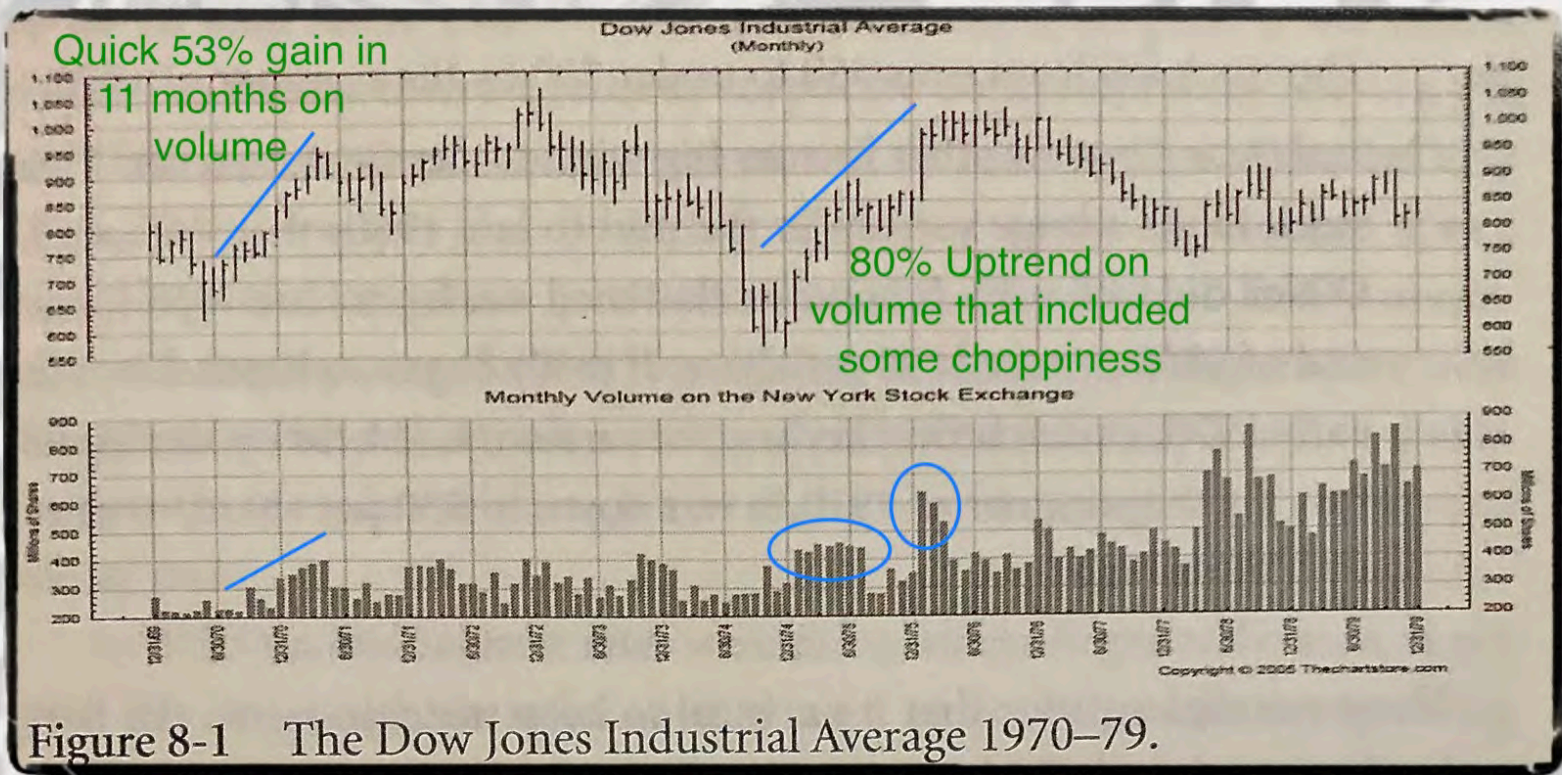


Figure 8-1 The Dow Jones Industrial Average 1970-79.

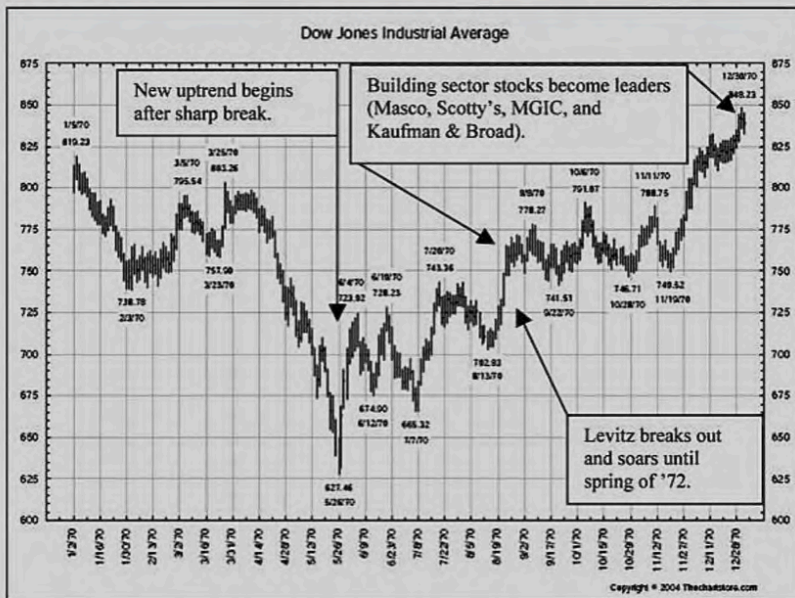


Figure A-30 Dow Jones Industrial Average Daily Chart, 1970

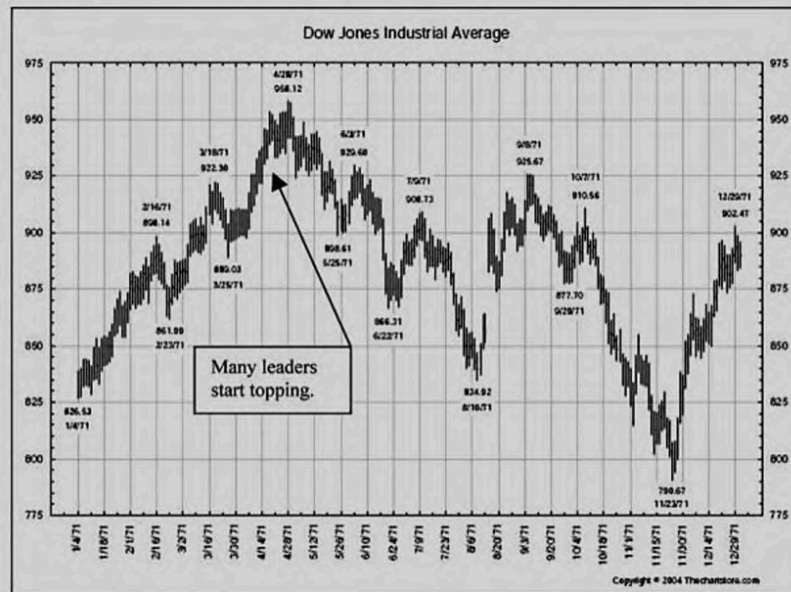


Figure A-31 Dow Jones Industrial Average Daily Chart, 1971



## 05/1970 - 04/1971

A strong 53% gain in only 11 months on increasing volume following a very sharp market decline in '69 and the early part of 1970. Notice below many new leaders came out in this uptrend. The Nasdaq Composite Index starts tracking in February 1971 at the 100 level. It was actually the automated quote system of the NASD rather than the specialist and floor trader system of the NYSE.

### Leading Stocks:

Amerada Hess

Disney

House of Fabrics: This breaks out in August 1970 and more than doubles by the spring of 1971.

Kaufman & Broad: This was a new leader.

**Levitz Furniture:** A major monster, this stock basically sidesteps the mid-1971 correction as it soars from \$20 to \$160 (up 700%) to its top in the spring of 1972. This one forms many healthy bases and rides its 50-day line for most of its advance.

Masco: This was a new leader.

McDonald's

MGIC: This was a new leader.

**Sambos Restaurants:** This IPO comes up off its first base and doubles in 6 months.

Scotty's Home Builders: This was another new leader.

Sony

Winnebago

Rite Aid

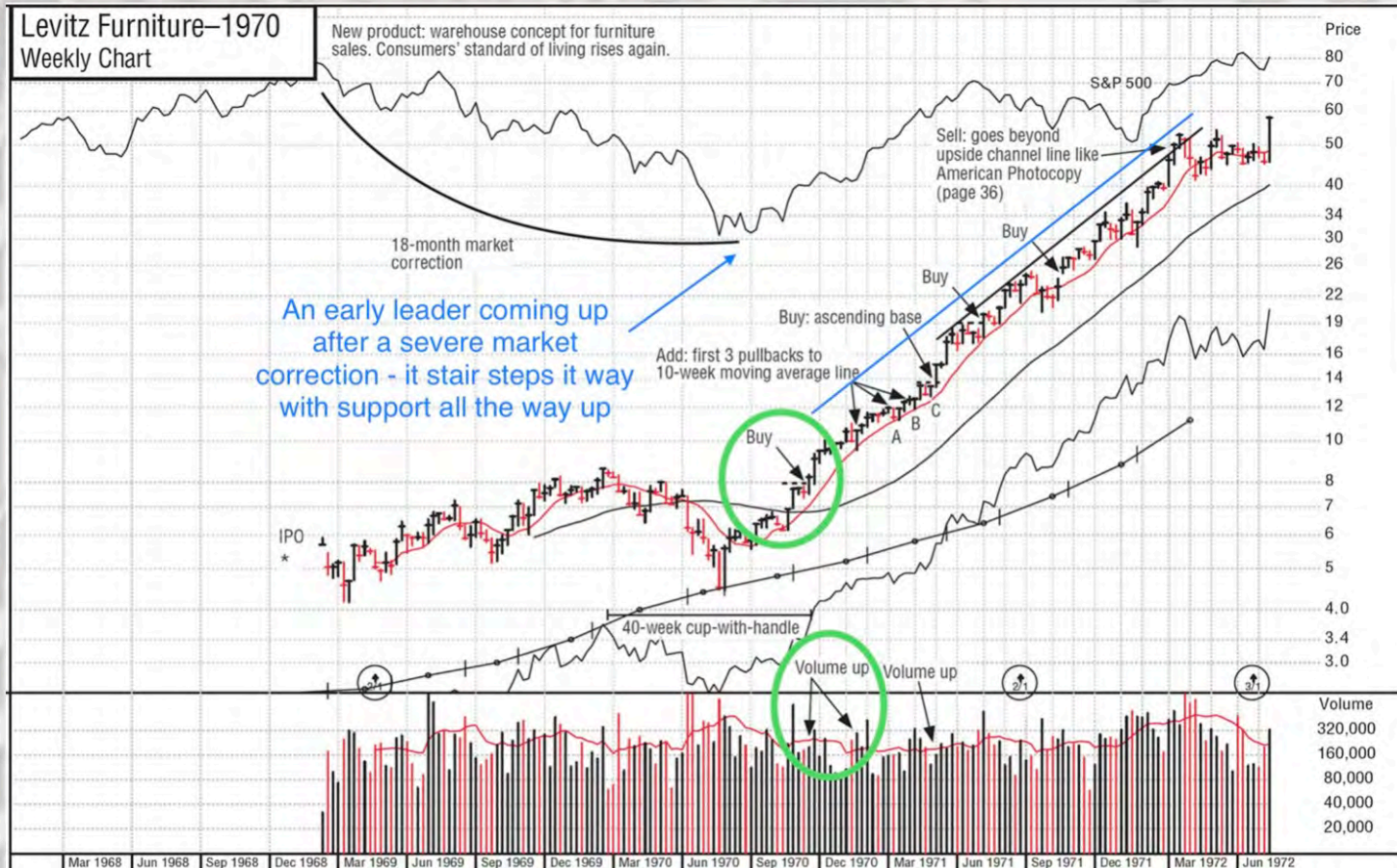
## Other Notable Market Corrections

**12/1968 - 05/1970** A tight money supply, high inflation, and the Vietnam War were the main outside factors that took this market down 37%. O'Neil sidestepped most of this decline.



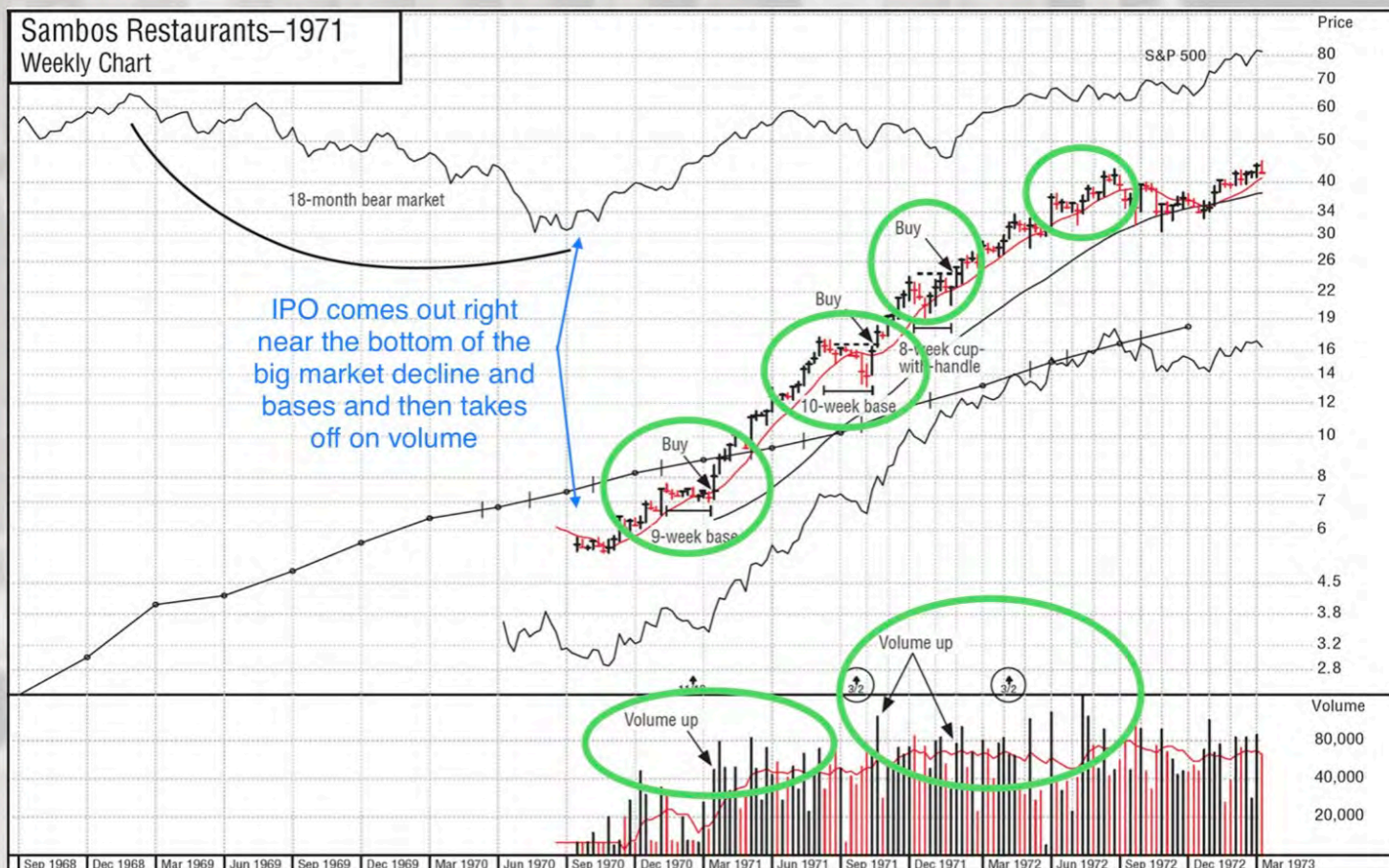
## Levitz Furniture-1970 Weekly Chart

New product: warehouse concept for furniture sales. Consumers' standard of living rises again.



Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.

## Sambos Restaurants-1971 Weekly Chart



Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.



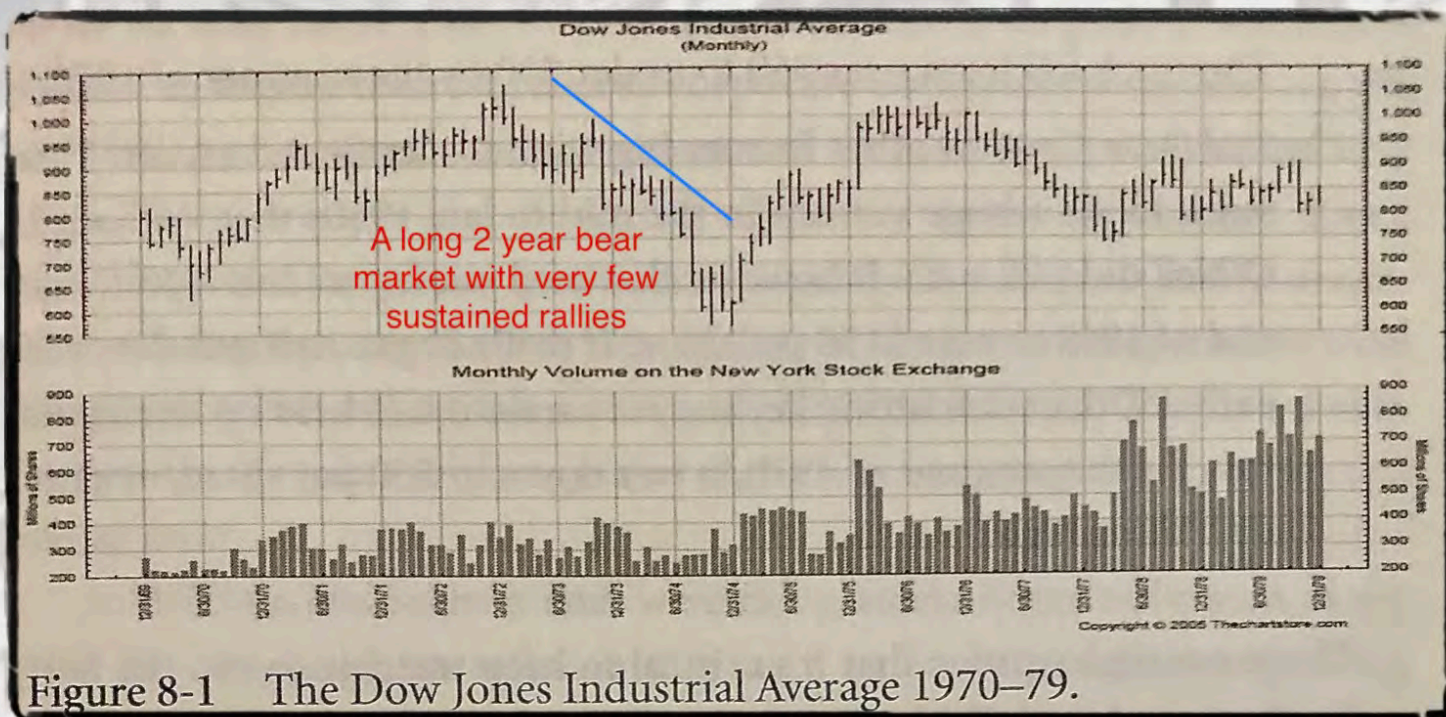


Figure 8-1 The Dow Jones Industrial Average 1970-79.

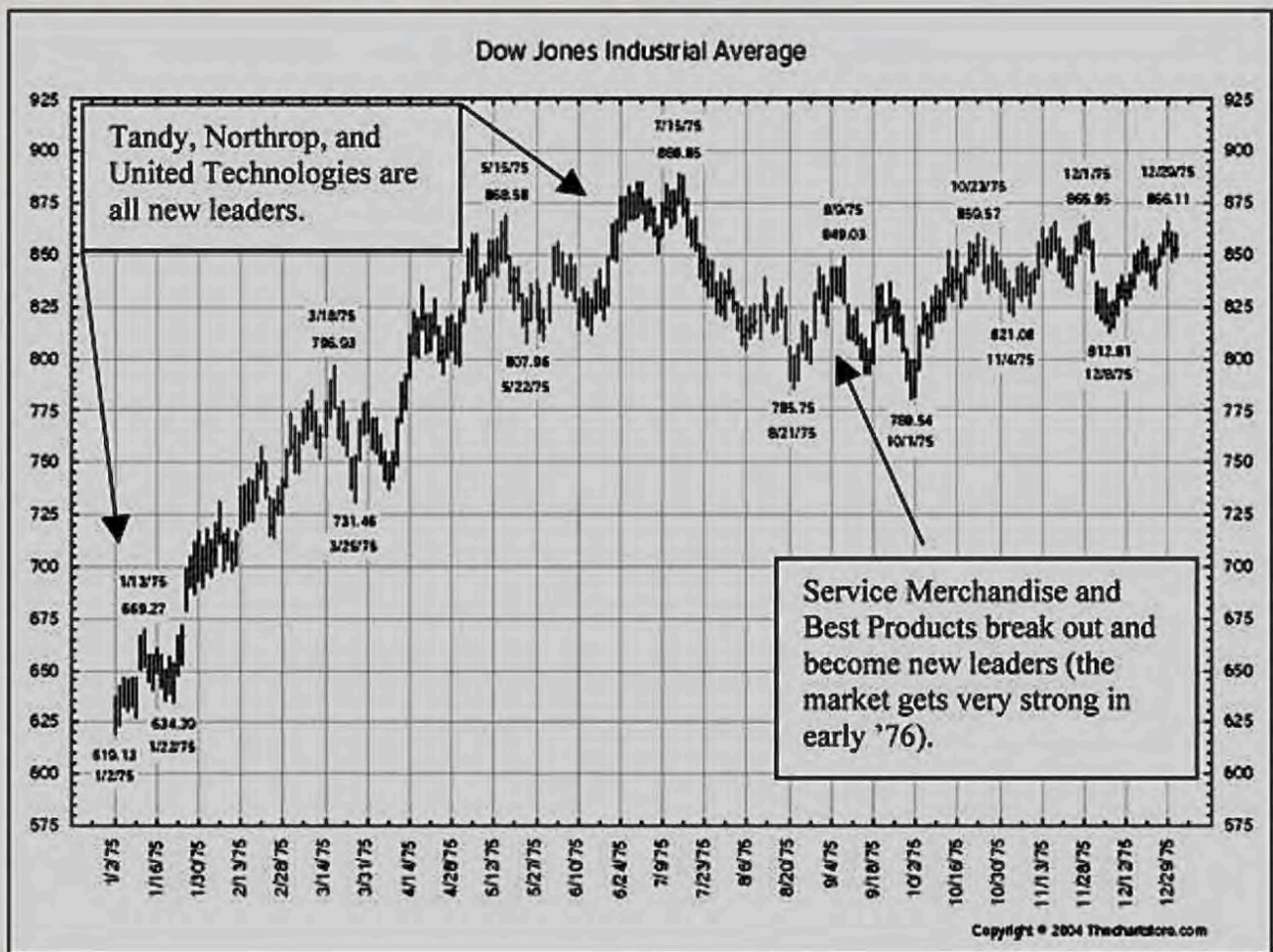
### 01/1973 - 10/1974

High oil prices, high interest rates, rising inflation, a falling dollar, budget deficits, wage and price controls in place, the Vietnam War still raging even though peace pacts were near, and a possible presidential scandal taking place all made for a lot of uncertainties by early 1973. Stocks were topping and began selling off. Declines on heavy volume were offset by short rallies on light volume. By 1974 there was an oil embargo and the economy was in a deep recession. In early '75 the Fed began to ease up on its tight policy and a new uptrend began. Darvas stayed mostly out the market.

Prior Leaders Topping and Correcting:

- Walt Disney Company
- Kaufman & Broad
- Rite Aid
- Clorox
- Coca-Cola
- Xerox





**Figure A-32** Dow Jones Industrial Average Daily Chart, 1975

### 12/1974 - 09/1976

An 80% gain in 20 months that came off the bottom of a brutal bear market. The Fed started to reduce interest rates in early '75 and the recession ended in March '75 along with the Vietnam War. A large tax cut was also passed in March so the future looked promising. This uptrend was led by many new leaders. O'Neil was right there taking advantage of it along with Darvas, who sat out the prior two year bear market, as he came back into many of the new leaders,

#### Leading Stocks:

**Best Products:** This is another new leader that scores huge gains.

**Carbon Industries:** This is a 283% winner from its breakout during this market phase.

**Elgin National:** The stock gains 371% during this uptrend.

**Falcon Seaboard:** This leading coal producer scores a 997% gain over three years despite a rough market ahead.

**General Motors:** A renewed leader, this stock nearly doubles in 1975 from \$29 to \$59.



Northrop: It's another new early monster stock that more than doubles during the uptrend.

Service Merchandise: This breaks out in the fall of 1975 and soars 586% to its top in 1978.

Tandy: A new leader, it breaks out in late 1974 and scores a triple-digit gain in less than two years. Darvas scores a big gain on this stock.

United Technologies: This is another new leader following Tandy and Northrop.

Moore-McCormack: Darvas buys this one in February '75 and rides it up to \$85 in six months.

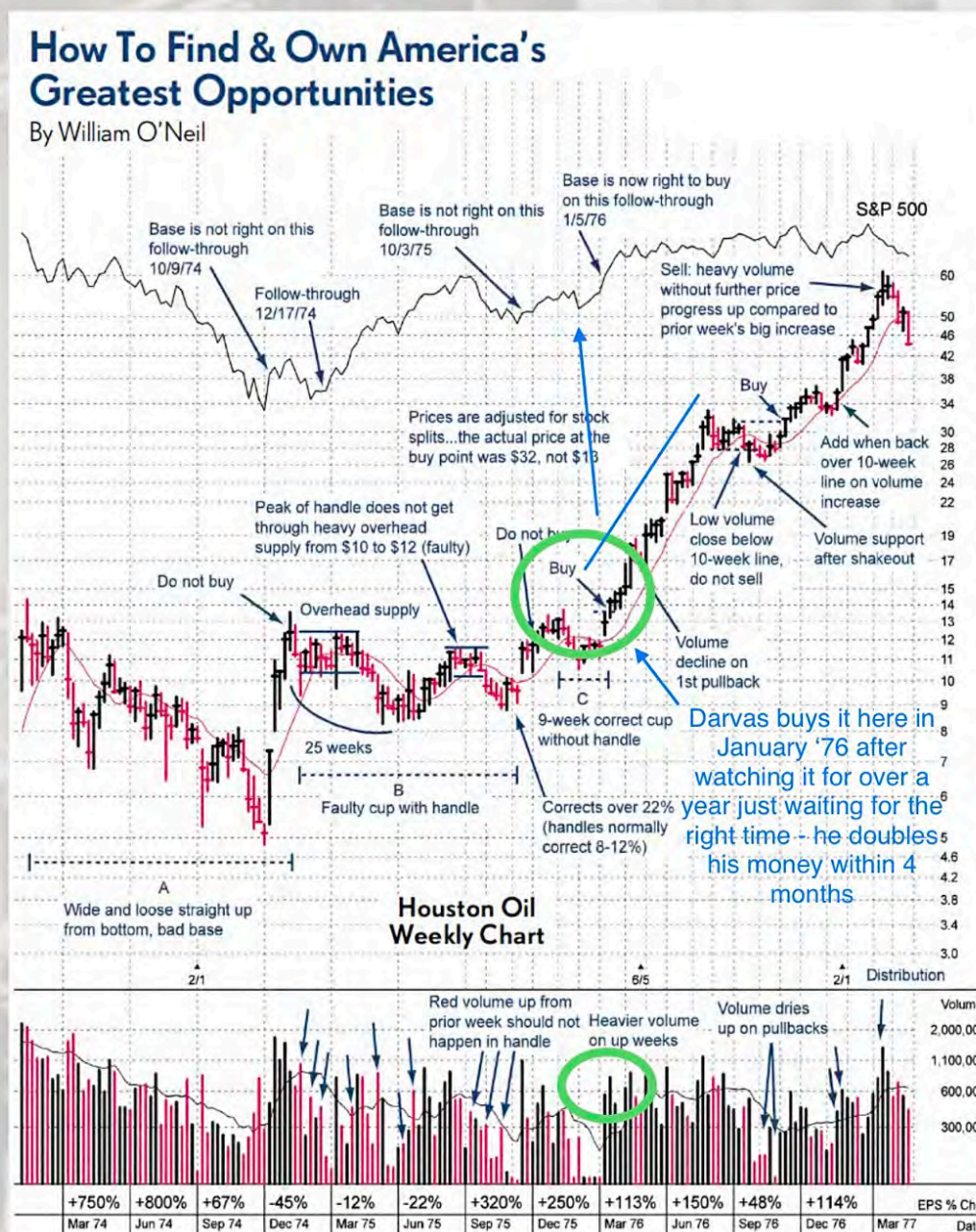
**Houston Oil:** Darvas scored a 101% profit on this leader.

Hughes Tool

Teledyne:

Mitchell Energy: Darvas profits a 53% gain on this energy leader.

National Semiconductor





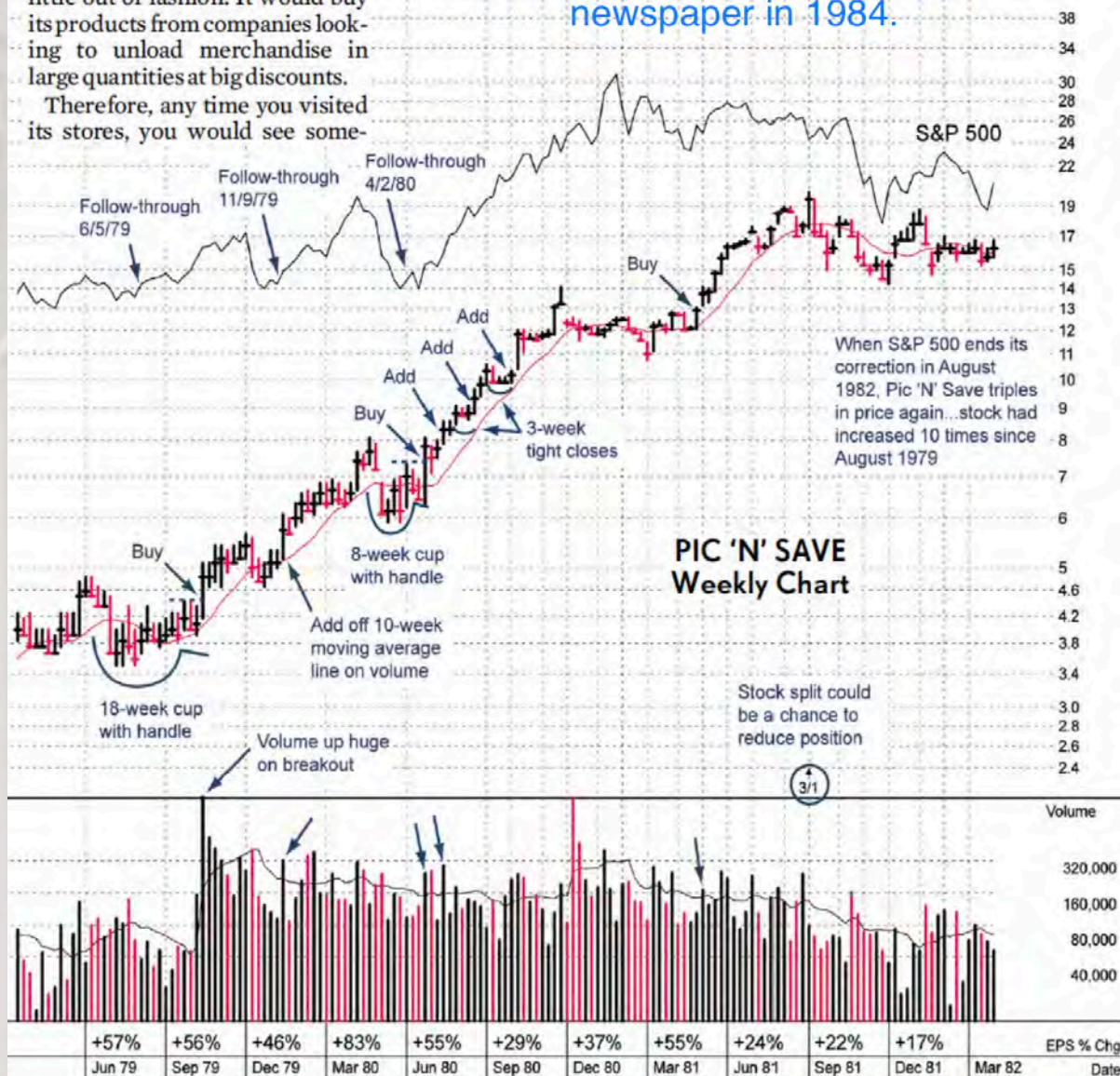
# How To Find & Own America's Greatest Opportunities

By William O'Neil

Pic 'N' Save was unique at the time in how it acquired its inventory. Its specialty was buying overruns by manufacturers: products with minor defects or that were a little out of fashion. It would buy its products from companies looking to unload merchandise in large quantities at big discounts.

Therefore, any time you visited its stores, you would see some-

This stock along with Price Club made O'Neil \$25 million in just those two stocks. He used those profits to fund Investor's Daily newspaper in 1984.



thing new that the store never carried before, and at bargain prices. Since Pic 'N' Save was buying its merchandise for pennies on the dollar, it could mark its products up for a good profit margin and still provide its customers with bargain prices. You could even buy little kids' shoes for just a few dollars. This strategy directly translated to strong numbers for the company. At the breakout shown on the chart, quarterly earnings were growing over 50% and the annual return on equity was over 30%. It's this kind of

growth that gives you the conviction that you might have a big winner on your hands.

My wife was actually the one who gave me this stock idea. It's OK to get ideas from other people, but you never buy just because someone else tells you about a stock or gives you a tip. You need to thoroughly research the stock on your own so you know how to handle it properly. That way you are making decisions based on facts and not opinions.

I'm often asked how long I will hold a stock, and my answer is al-

most always "it depends on the stock." You can hold a stock as long as it's acting right. You make adjustments based on the market conditions, how much profit cushion you have on the stock, and the research you've done on the company. I owned Pic 'N' Save for over seven years. We made estimates of how many stores the company could open up. Buying right is only part of the equation. Knowing how to handle a winner once you've got it is the key to making the big money when you're right.



## Historic Cycles & Monster Stocks 1980 - 1990s

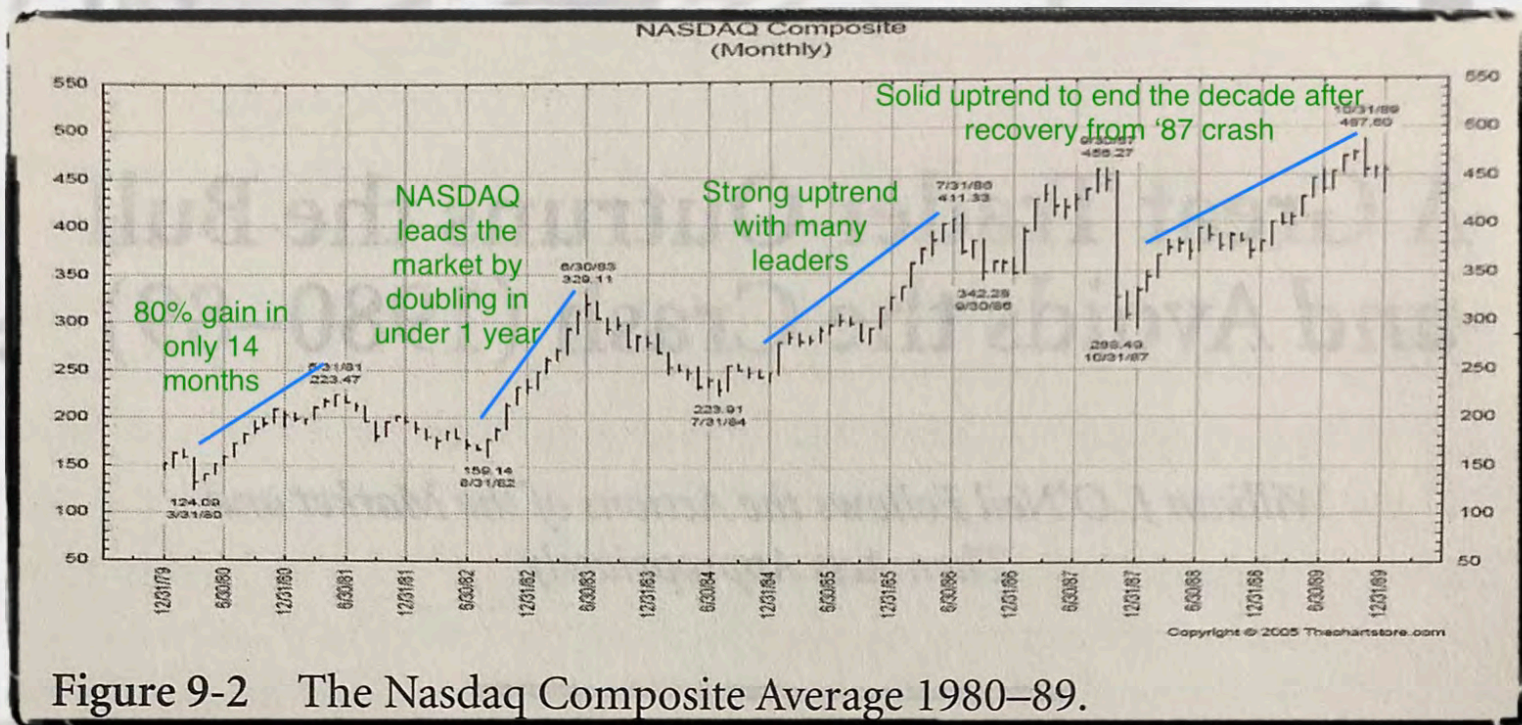


Figure 9-2 The Nasdaq Composite Average 1980–89.

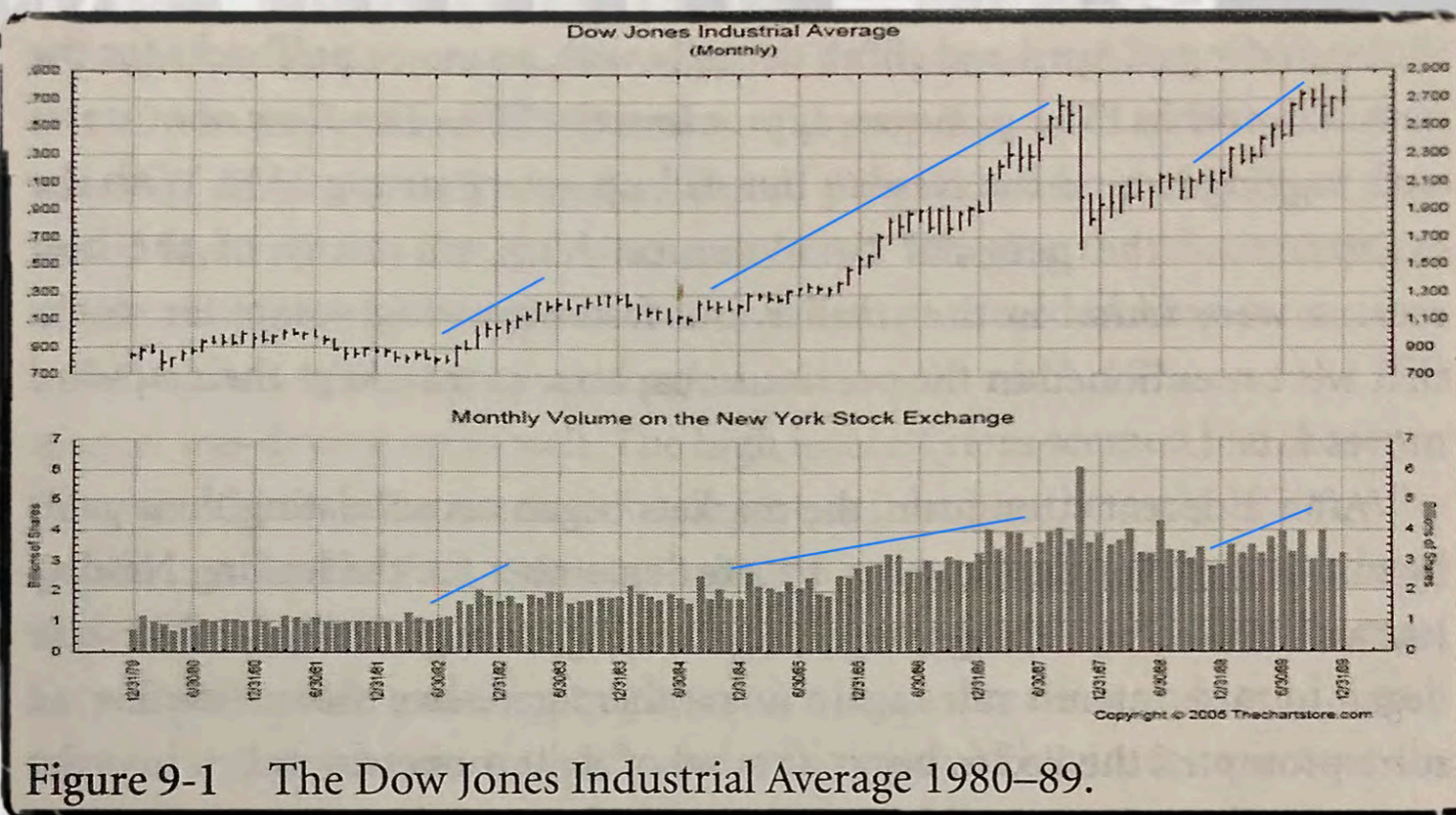


Figure 9-1 The Dow Jones Industrial Average 1980–89.



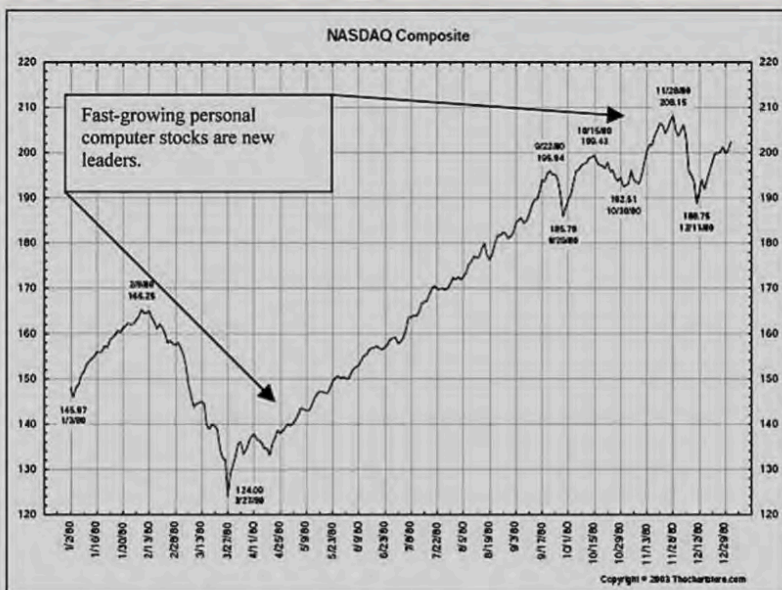


Figure A-33 Nasdaq Composite Daily Chart, 1980

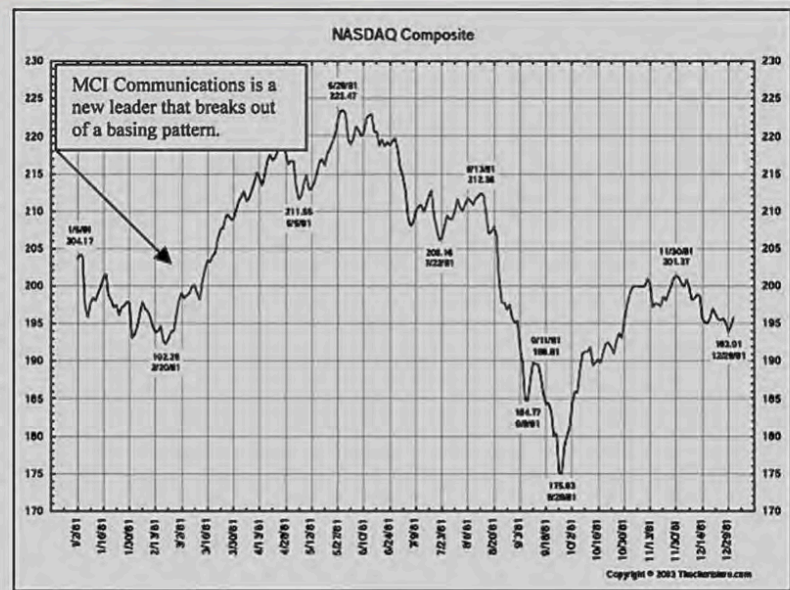


Figure A-34 Nasdaq Composite Daily Chart, 1981

### 03/1980 - 05/1981

Another 80% surge in only 14 months on the Nasdaq which was the leading index during this uptrend. New leaders came from new technology related stocks versus the industrial sector stocks. The economy came out of a short recession in September '80 (again showing its forward looking ability). Reagan took office in January '81 but the Fed was aggressively raising interest rates and that choked off the uptrend.

#### Leading Stocks:

**Computervision:** This is one of the monster stocks from the leading computer-related groups.

**Helmerich & Payne:** It tops in early '81 after a strong run in 1980.

**MCI Communications:** This new monster stock breaks out during the early 1981 uptrend.

**Schlumberger:** A strong leader, it also tops in early '81 after its strong run throughout 1980.

**Walmart Stores:** This stock breaks out after a market correction and doubles in 9 months.

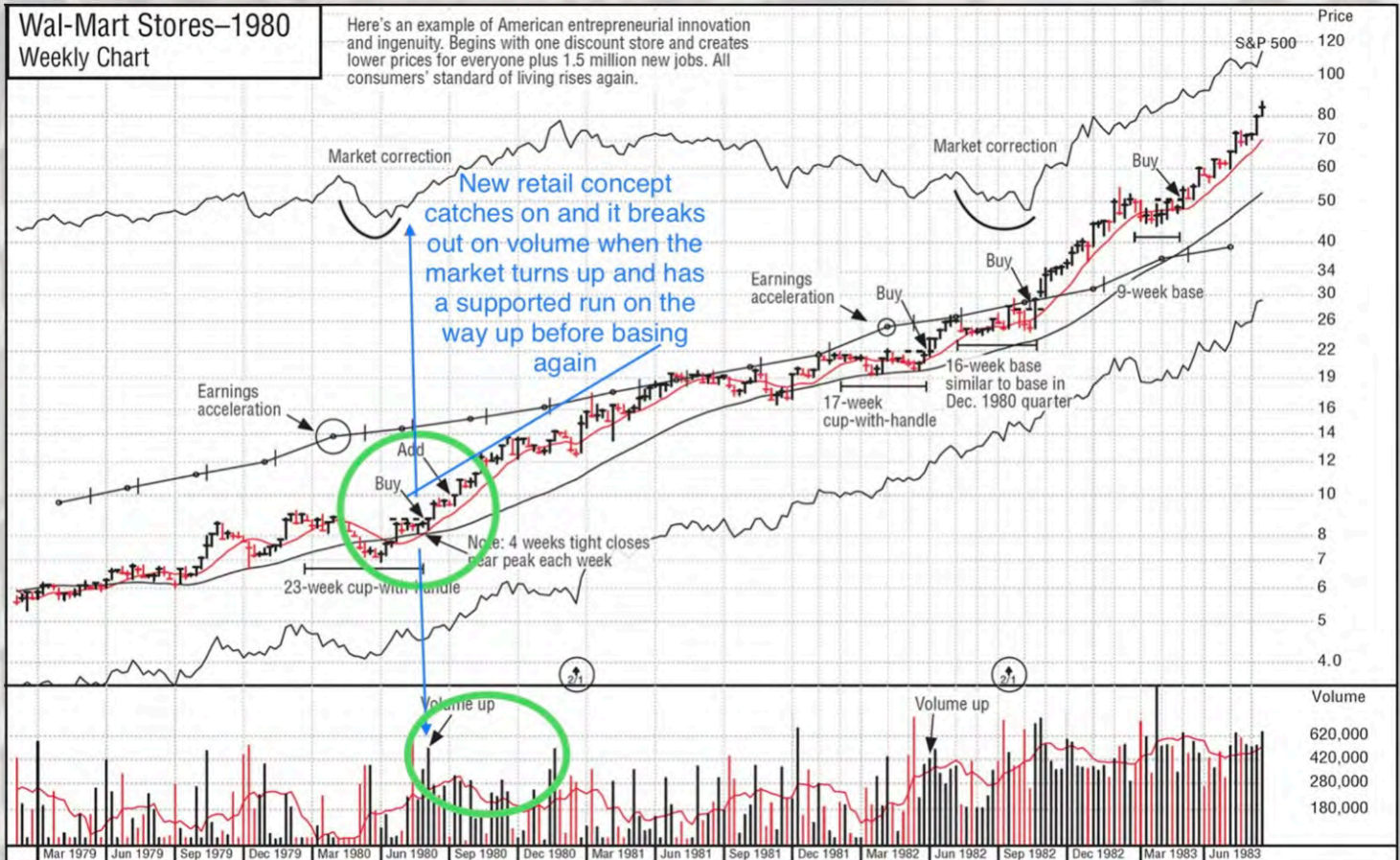
### Other Notable Market Corrections

**06/1981 - 08/1982** Prior leaders in the oil and gas industry were starting to top in early '81. By June '81 a recession set in as inflation and interest rates remained high. O'Neil was in cash during this downtrend that finally bottomed in August of '82.



## Wal-Mart Stores-1980 Weekly Chart

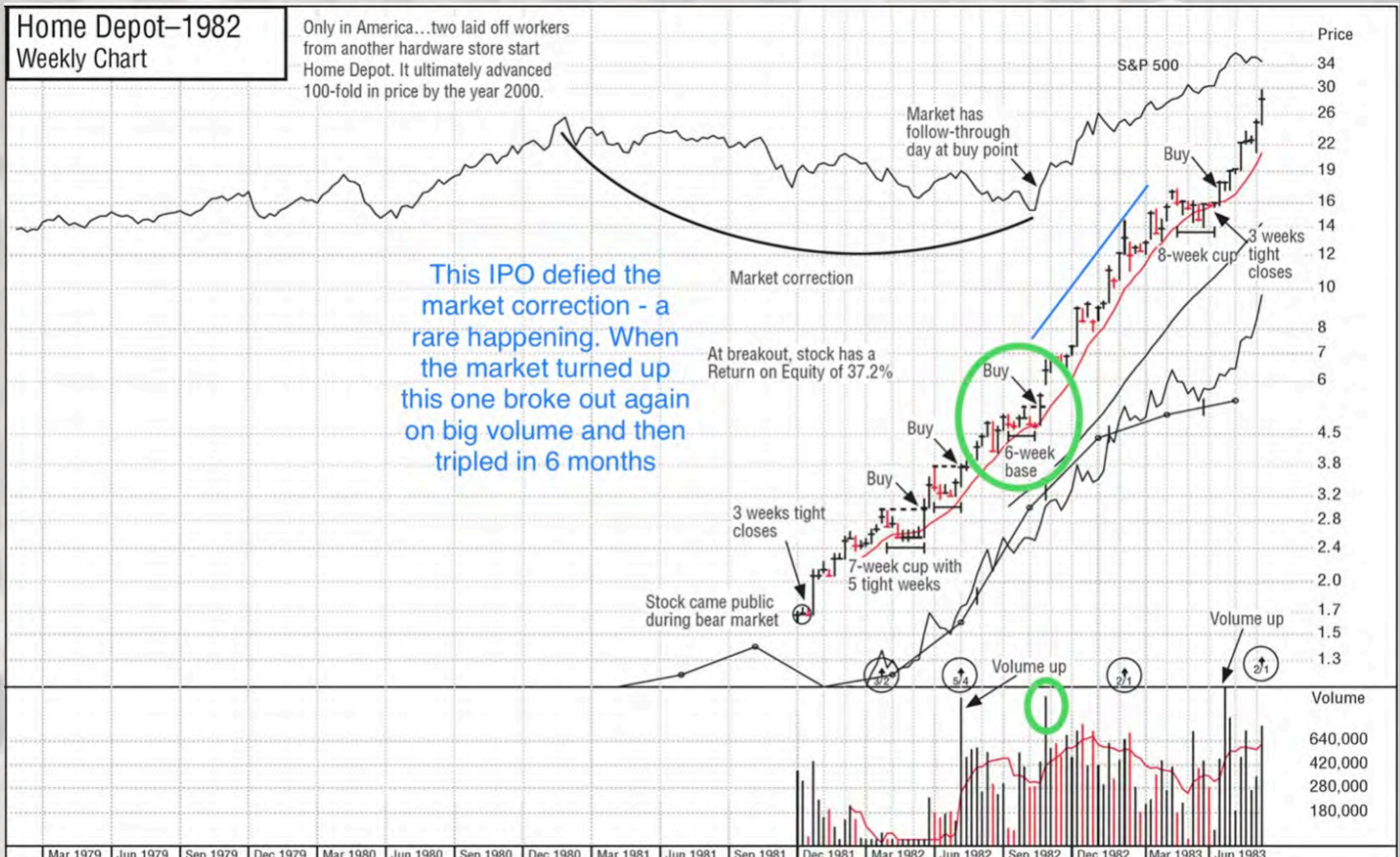
Here's an example of American entrepreneurial innovation and ingenuity. Begins with one discount store and creates lower prices for everyone plus 1.5 million new jobs. All consumers' standard of living rises again.



Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.

## Home Depot-1982 Weekly Chart

Only in America...two laid off workers from another hardware store start Home Depot. It ultimately advanced 100-fold in price by the year 2000.



Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.



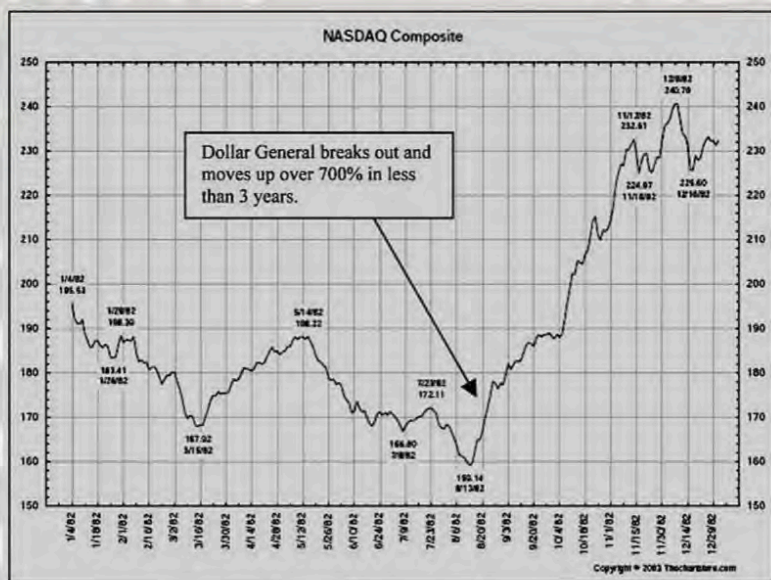


Figure A-35 Nasdaq Composite Daily Chart, 1982

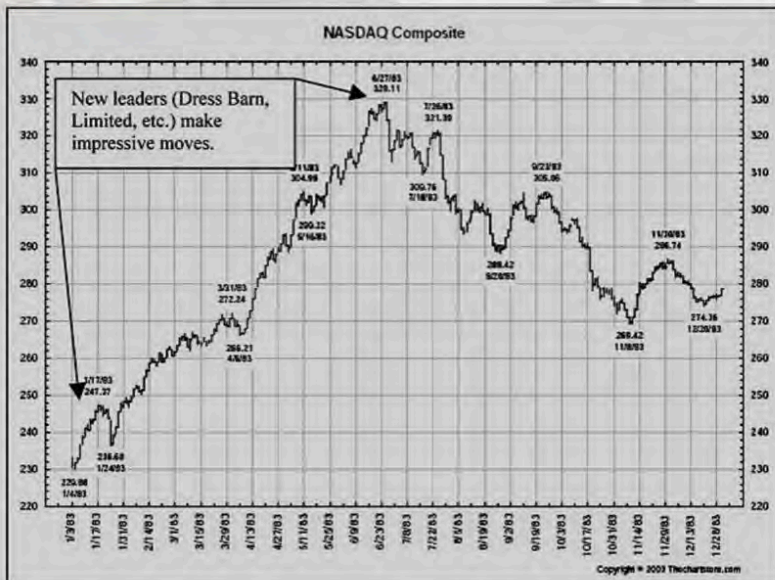


Figure A-36 Nasdaq Composite Daily Chart, 1983

## 08/1982 - 07/1983

This was a Nasdaq led uptrend as the index doubles (up 101%) in only 11 months. Many new leading stocks breakout and lead it. The Dow was also strong, led by Home Depot, as the Dow rose 64% over the same timeframe. The Fed finally started easing up on its tight policy. Inflation was finally being contained (O'Neil full page ad in the WSJ in February '82) and the economy started growing again with positive quarterly GDP readings.

### Leading Stocks:

Commodore: Triples in 9 months from a breakout in the fall.

Conair: Soars 5 fold in only 8 months from an Aug breakout.

Dollar General: This monster stock breaks out in August 1981.

Digital Switch

Dress Barn: A strong group produces new monster stocks.

Fleetwood Enterprises: This was another big winner for O'Neil, as the mobile home group was strong at the time.

Franklin Resources: Newly issued in 1983 it soars 750% in just 15 months.

**Home Depot:** One of history's biggest monsters, this stock is up twentyfold from its initial public offering in 1981 to September 1983.

Limited Brands: This scores big gains as women's fashion stocks soar.

Liz Claiborne

Pic 'N' Save: This is one of O'Neil's biggest winners ever.

**Price Company:** This early leader gains 110% in the first 11 months after its breakout. It is one of O'Neil's big winners (it goes up over fifteenfold over the next three years).

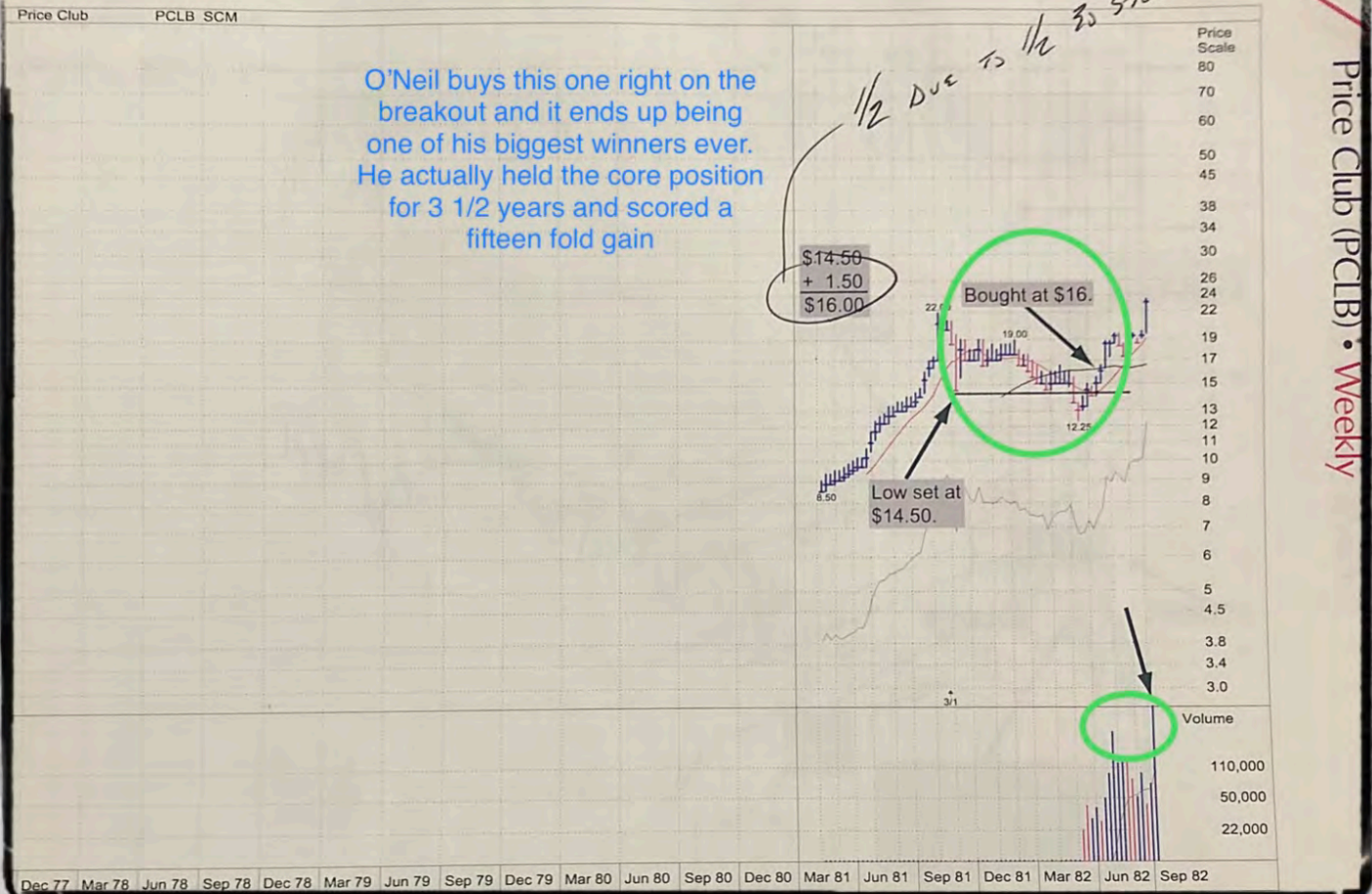
Pulte Home

Walmart Stores: More than doubles again in only 6 months from 8/82.

Stop & Shop: Quadruples in just over a year after breaking out.



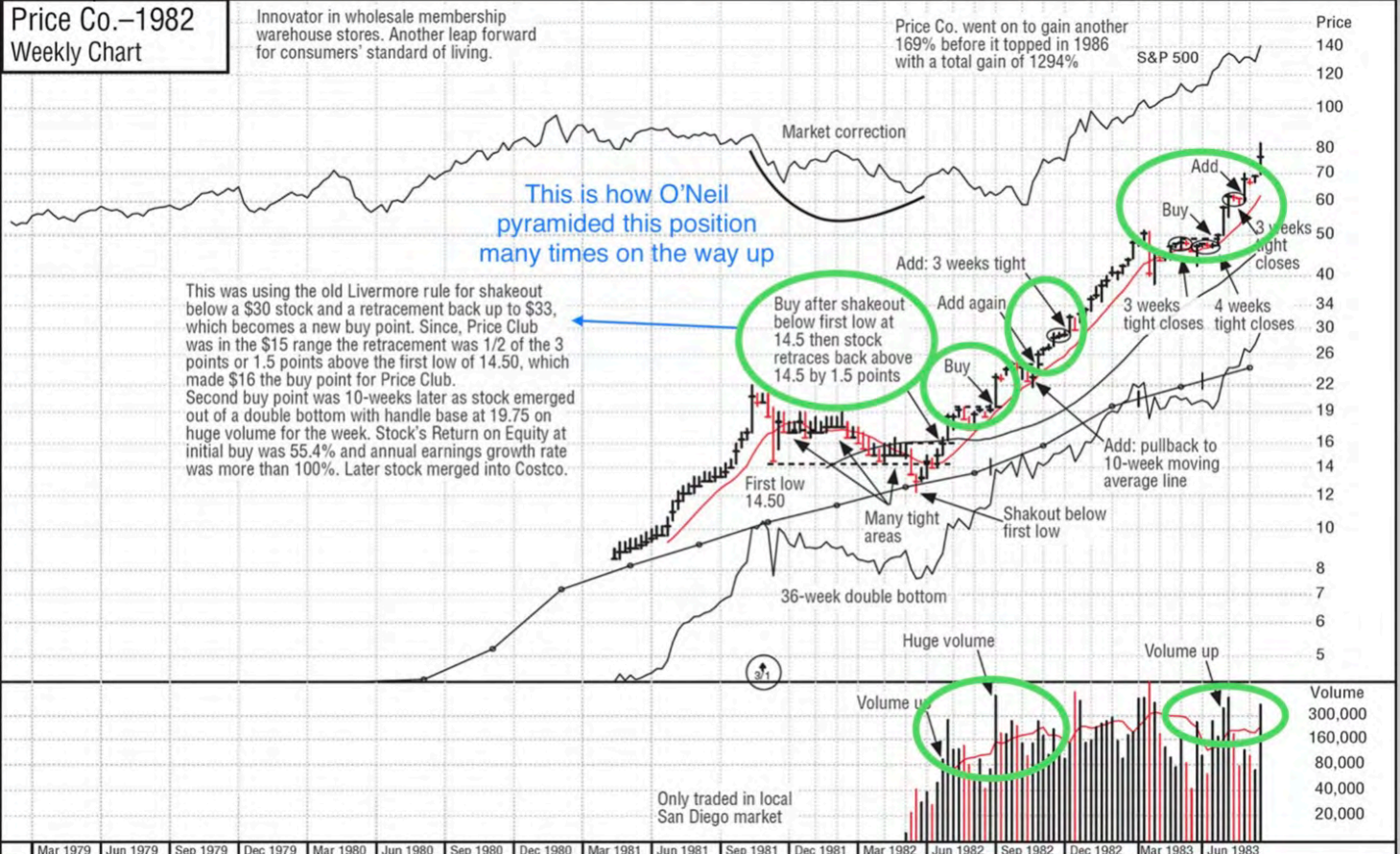
## Shakeout + 3



Source: Investor's Business Daily, Inc. *How To Master Charts & Manage Your Portfolio*, © 2004 by Investor's Business Daily, Inc. Used with permission.

## Price Co.-1982 Weekly Chart

Innovator in wholesale membership warehouse stores. Another leap forward for consumers' standard of living.



Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.



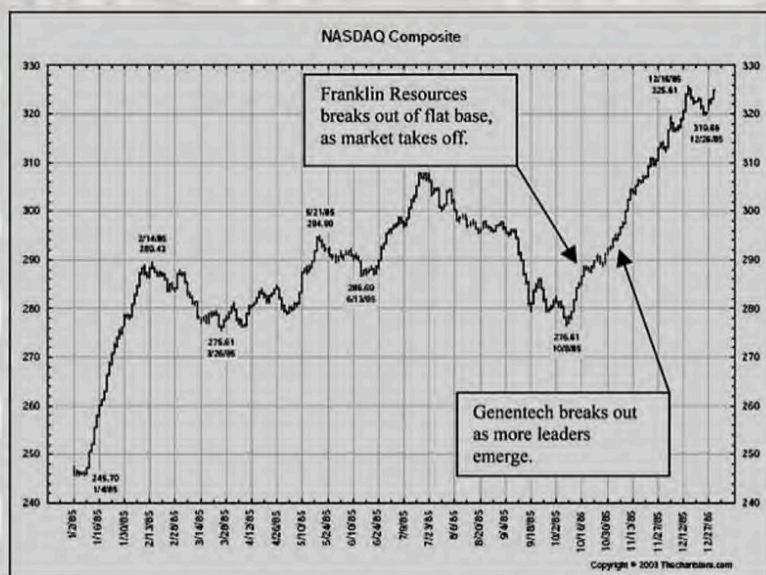


Figure A-37 Nasdaq Composite Daily Chart, 1985

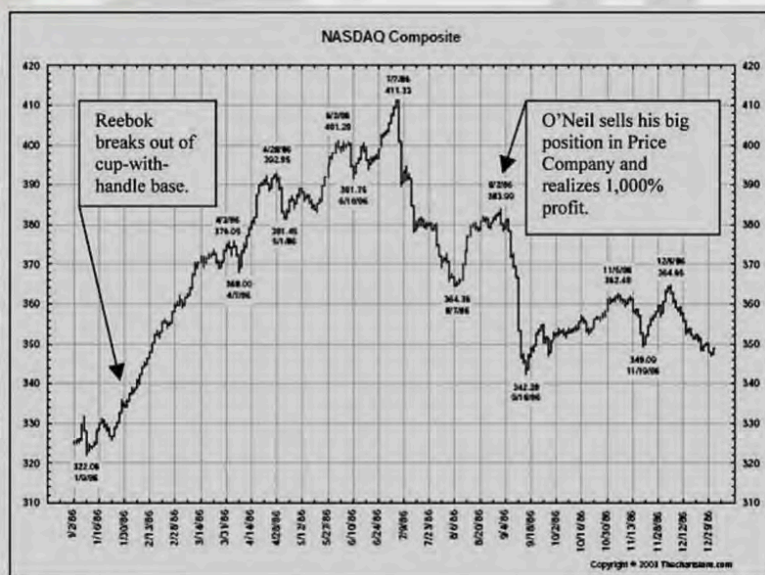


Figure A-38 Nasdaq Composite Daily Chart, 1986

## 01/1985 - 07/1986

This was a 64% gain on the Nasdaq in 18 months that really got going following a slight pullback in the summer of '85. Many economic stats were falling into place - lower interest rates, inflation receding, and unemployment was declining. The IPO market was also picking up. Strong groups in early '86 included software, cable TV, food, and medical stocks.

### Leading Stocks:

**Adobe:** This stock is up 462% in just six months during the 1986 uptrend.

**Circuit City:** A huge winner, this takes off in the '86 uptrend.

**Costco:** A major leader that breaks out and zooms 700% over the next few years.

**Franklin Resources:** This breaks out in October 1985 (up 263% in 15 months) to begin a huge run after it had already been a monster stock; it's another winner for O'Neil.

**Genentech:** This stock is up 300% in only five months from the November 1985 breakout. This was another big winner for O'Neil.

**King World Productions:** This is up over 700% in 2 years from its summer '85 breakout.

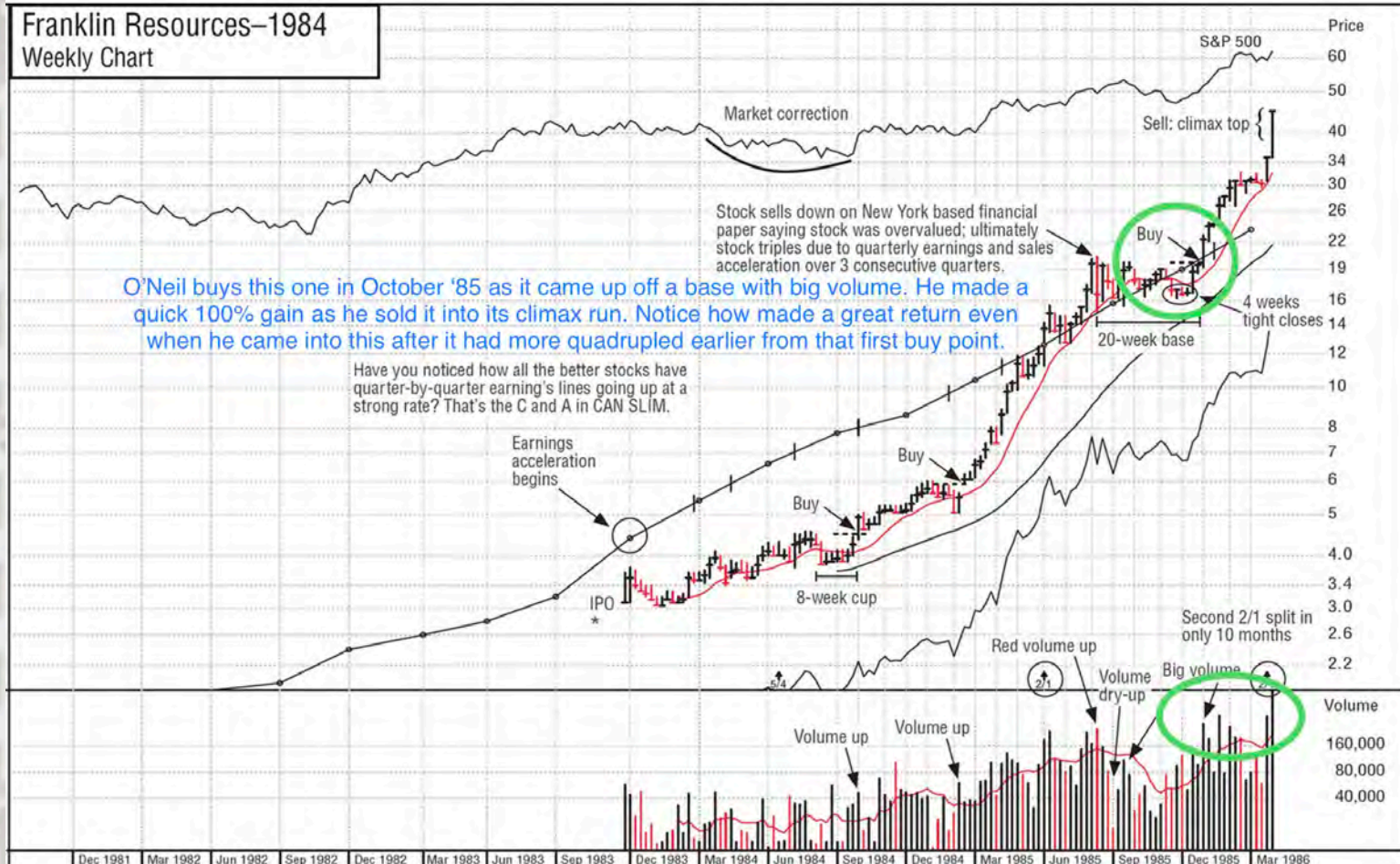
**The Limited:** This continues soaring from the earlier 1980s market uptrend.

**Microsoft:** This is up over 100% in only five months since its initial public offering in 1985.

**Reebok International:** This is up 262% in only four months from its cup-with-handle breakout pattern.



# Franklin Resources-1984 Weekly Chart



Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.



# NASDAQ Composite (Monthly)

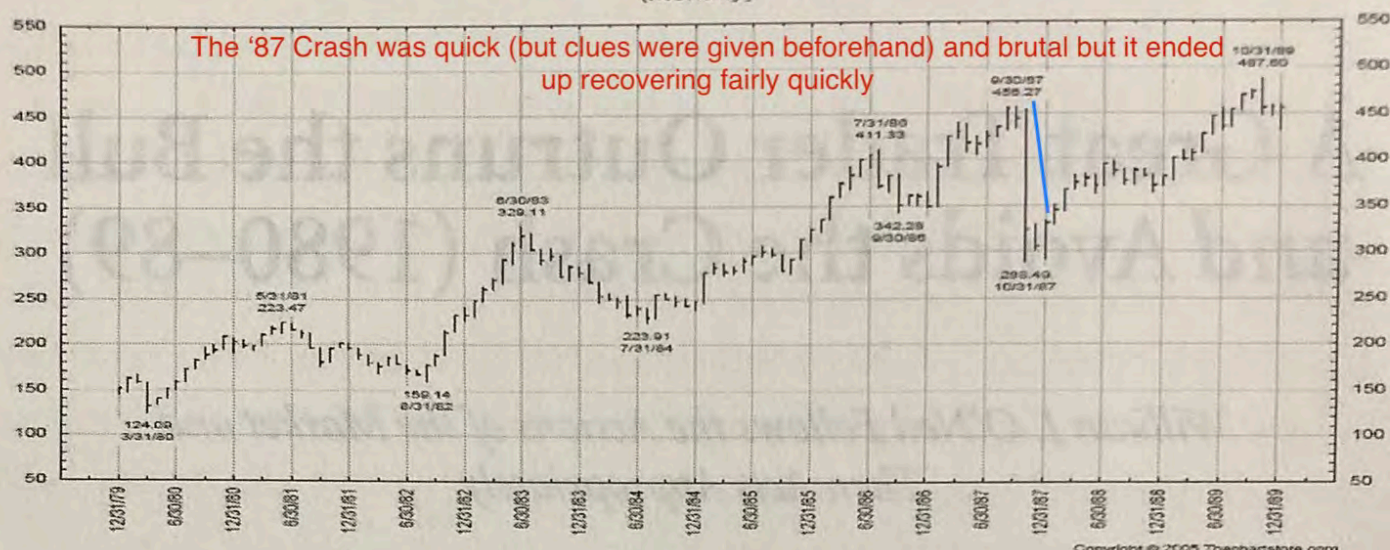


Figure 9-2 The Nasdaq Composite Average 1980–89.

## 08/1987 - 12/1987

After a strong rise to start '87 the market began to tire in late summer and O'Neil noticed this as leading stocks were topping. Interest rates started to rise and the market peaked on August 26th as heavy selling started coming into the market. O'Neil sold out all his holdings and was 100% in cash by early September. On October 16th the Dow fell 4.6% on huge volume as selling continued. On Monday, October 19th the Dow crashed 22.6% - the largest single day crash in market history. The Nasdaq fell 14% (the Australian market crashed 58%). The Fed lowered rates to stem the selling and the market in August 1989 finally pierced the level the market was at just prior to the October '87 crash. The Fed actually started lowering rates in early '89 and would make 24 consecutive cuts into 1992.

Prior Leaders changes on October 19th:

### NYSE MOST ACTIVE

IBM	103 1/4	-31 1/4
Ford	69	-15 1/4
Am. Express	21 1/2	-9 5/8
Santa Fe/SP	41 5/8	-9 1/2
Gillette	24	-9

### NYSE WIDELY HELD

AMR	39	-9 3/8
Beth. Steel	11	-5 1/2
Caterpillar	50 1/2	-14 1/4
Digital Equip.	130	-42 1/4
E. Kodak	63 1/2	-26
Merck	151	-33
Polaroid	19 1/4	-8 1/4

### NASDAQ MOST ACTIVE

Listed by Dollar Volume

Microsoft	45 1/4	-19 1/2
Sun Micro.	36	-4 1/2
MCI Comm.	8 3/4	-1 1/2
Henley Grp.	23 3/8	-3
Liz Claiborne	16 1/2	-6 1/2



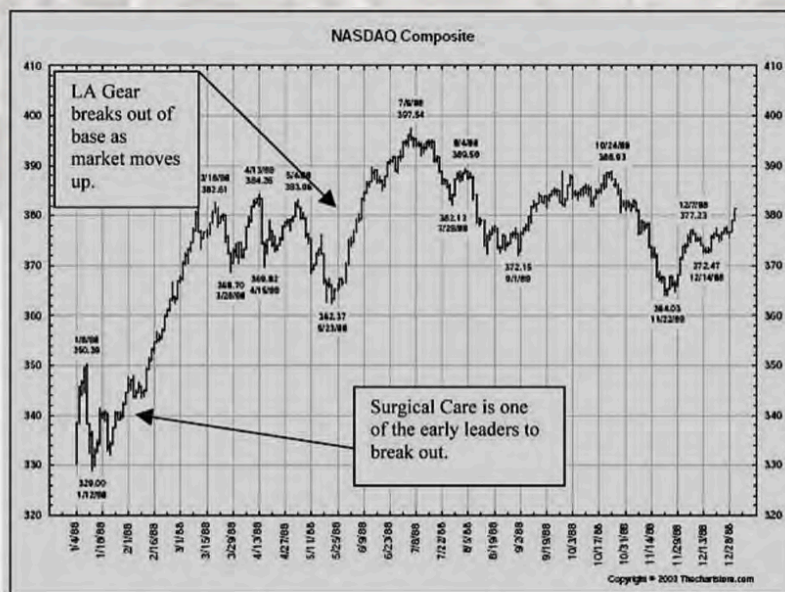


Figure A-39 Nasdaq Composite Daily Chart, 1988

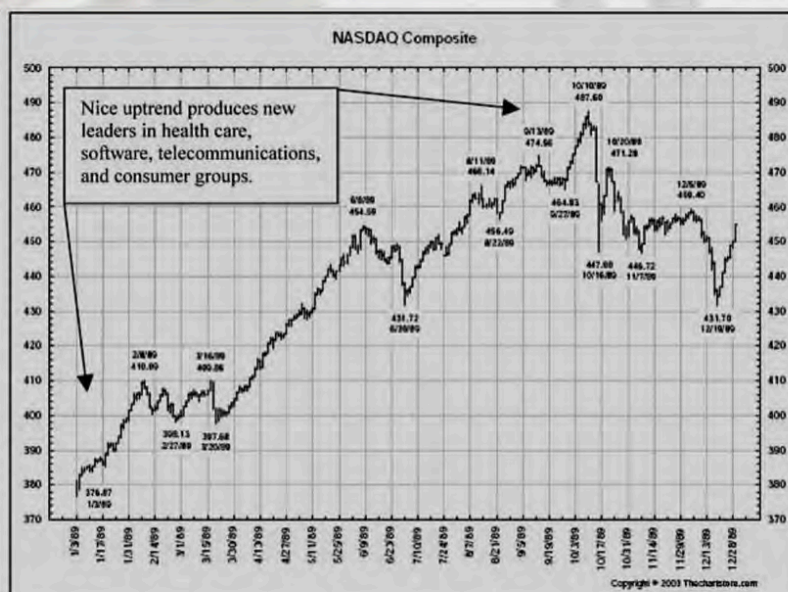


Figure A-40 Nasdaq Composite Daily Chart, 1989

## 01/1988 - 10/1989

This was a broad based uptrend that lifted the Nasdaq 69% in 21 months. The market made an impressive rebound from the October '87 crash. Cyclical stocks started the uptrend but quickly gave way to growth names once the uptrend gained momentum. New names from telco, software, health care, and consumer groups were strong. Adding to that momentum was the Fed started lowering interest rates in the spring of '89 (it made 24 cuts from then until 1992). The market topped in Oct '89 due to major weakness in the junk bond market as the S&L crisis hit that ended up closing about 1,000 financial institutions by that time.

### Leading Stocks:

**LA Gear:** This breaks out in the summer of 1988 and gains 551% over the next 16 months.

**MCI Communications:** This leader breaks out in the spring of 1988 and climbs 266% in 17 months.

**Surgical Care Affiliates:** Breaking out of a flat base, this stock soars 1,833% over the next 33 months.

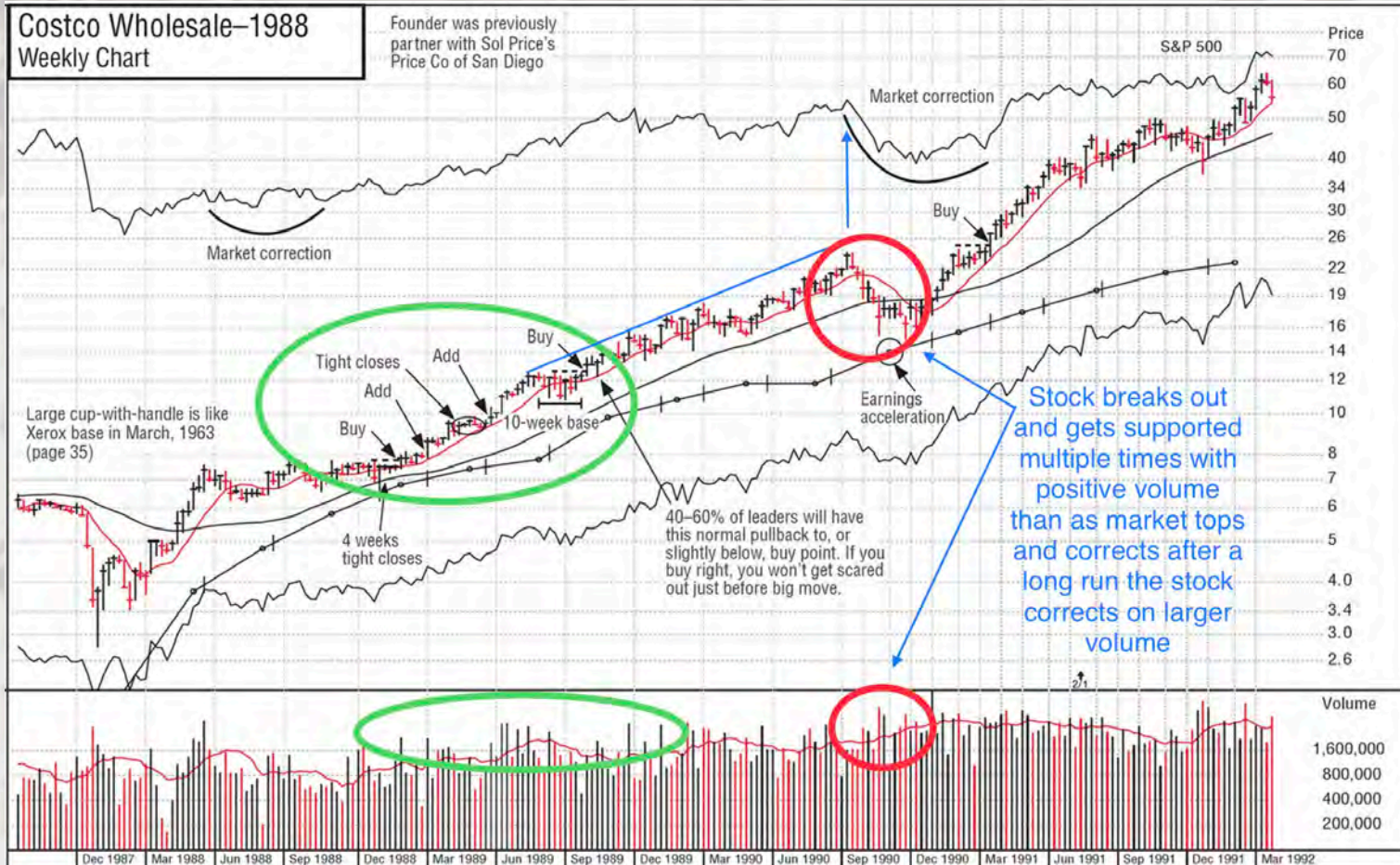
**Costco:** Breaks out in late '88 and gets supported, rebases, and triples from the original breakout before correcting.

**Microsoft**



# Costco Wholesale-1988 Weekly Chart

Founder was previously partner with Sol Price's Price Co of San Diego



Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.

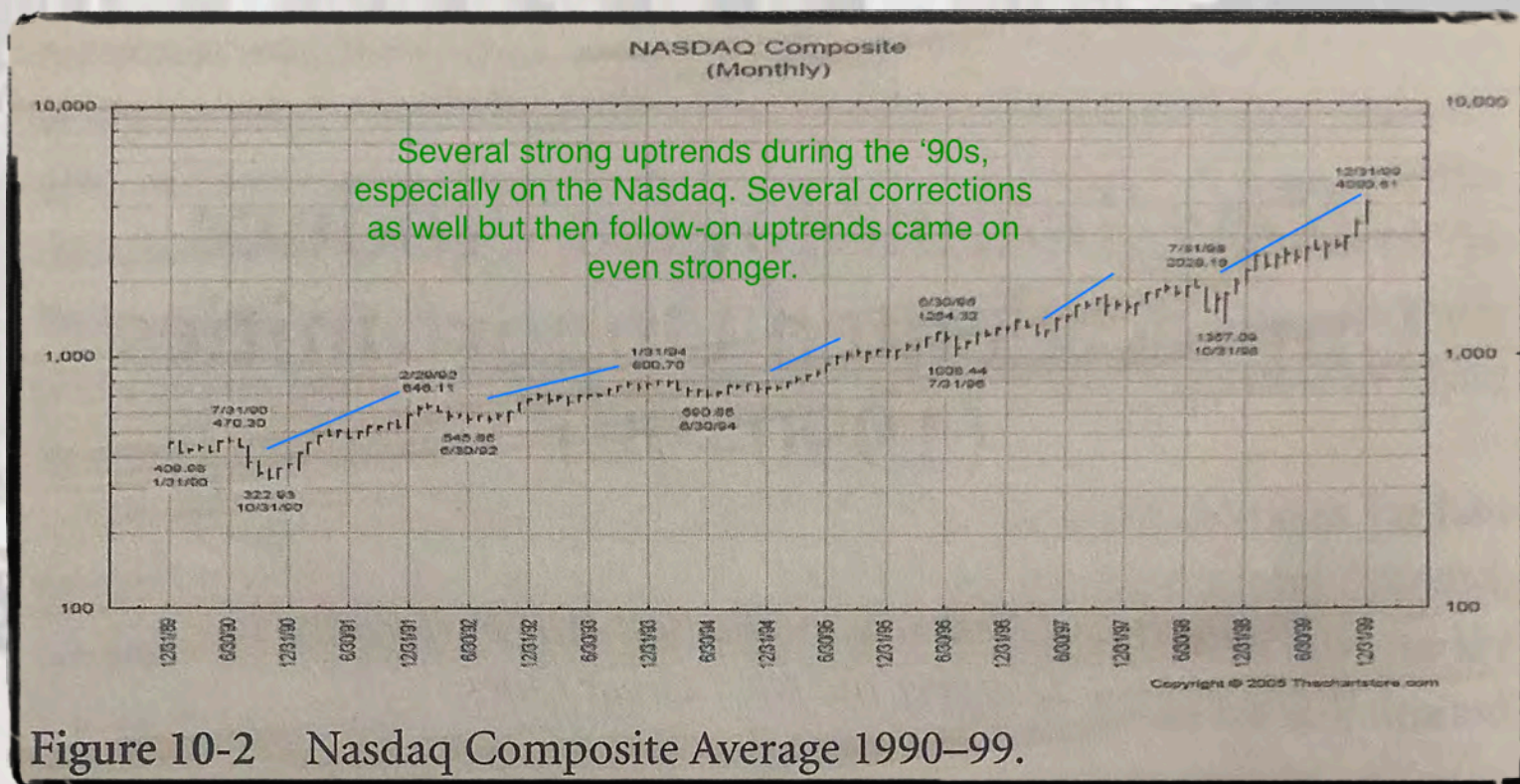


Figure 10-2 Nasdaq Composite Average 1990-99.



## 10/1990 - 02/1992

This uptrend is very strong coming off the bottom, in mid-October, of a major short but sharp correction that had the economy in recession. The uptrend was led by the Nasdaq as it more than doubles (up 101%) in only 14 months. A quick successful US involvement in Iraq was positive and the short recession ended in March '91. This was a rate cutting environment for the Fed as interest rates would be cut to their lowest levels in 27 years.

The chart below shows how, and typically when, leaders can breakout when a new uptrend starts and continues on. This is a big clue for you in future uptrends. Several stocks will breakout first and start the uptrend. As an uptrend gains strength there will be more leaders stepping up. This example produced 29 leading stocks over a period of several months. You can see volume coming in when the uptrend continued and volume drying up on pullbacks - key details that are present (always have been and always will be) during strong uptrending markets.

### Leading Stocks:

**American Power Conversion:** This breaks out of a base-on-base pattern. It soars 2,100% over the next several years.

**Amgen:** This stock became a huge winner for O'Neil - he nets 550%!

**Cisco Systems:** Breaking out as one of the first new leaders of this uptrend, it becomes one of the best-performing monster stocks of all time. This IPO reminded O'Neil of Pic'N' Save in the '80s.

**Costco:** Breaking out of a cup-with-handle base in January 1991, it zooms 140% in 12 months.

**Healthcare Compare:** Quadruples in one year from late '90 to late '91.

**International Game Technology (IGT):** This breaks out of a healthy base and soars 1,600% over the next few years.

**Microsoft:** Breaking out of a cup-with-handle base, it more than doubles in 1991.

**United States Surgical**

**Surgical Care Affiliates:** Prior big leader, this stock rebases several times and then really soars in '91.

### Other Notable Market Corrections:

**07/1990 - 10/1990** This was a short but very sharp correction (-20%). A new recession set in and Iraq invaded Kuwait. Leaders (MCI, Computer Associates, etc.) were topping. The Nasdaq was down 23% in only one month. GDP declined in Q3 for the first time in 8 years. In 3 months the Dow was down 23% and the Nasdaq down 31%. In mid October the market bottomed and began a new uptrend with Cisco the new hot IPO.



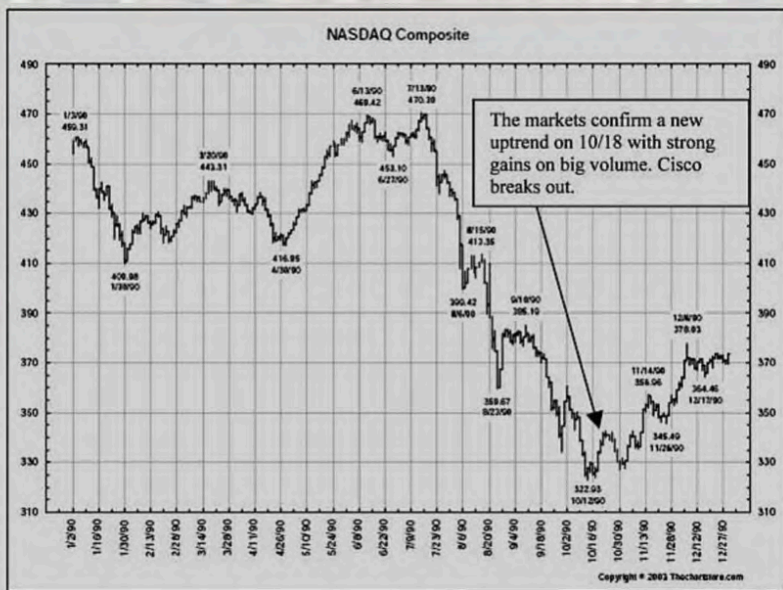


Figure A-41 Nasdaq Composite Daily Chart, 1990

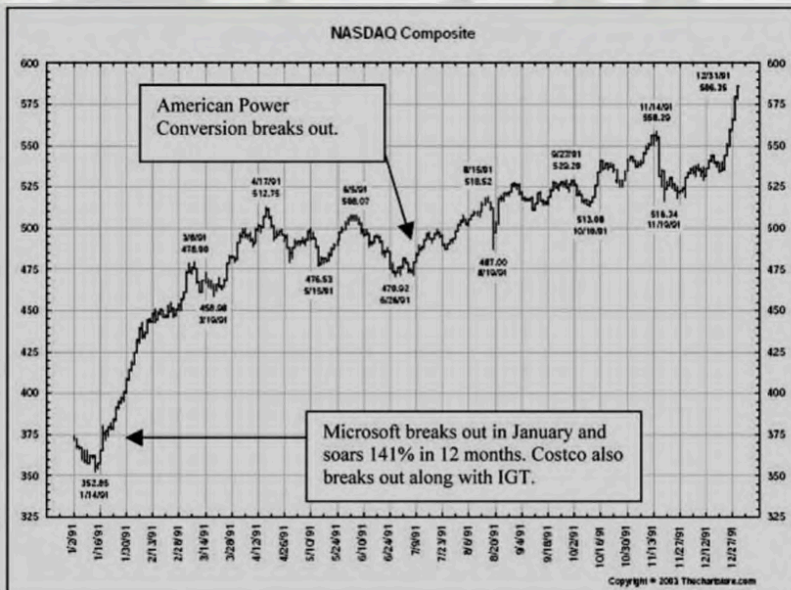
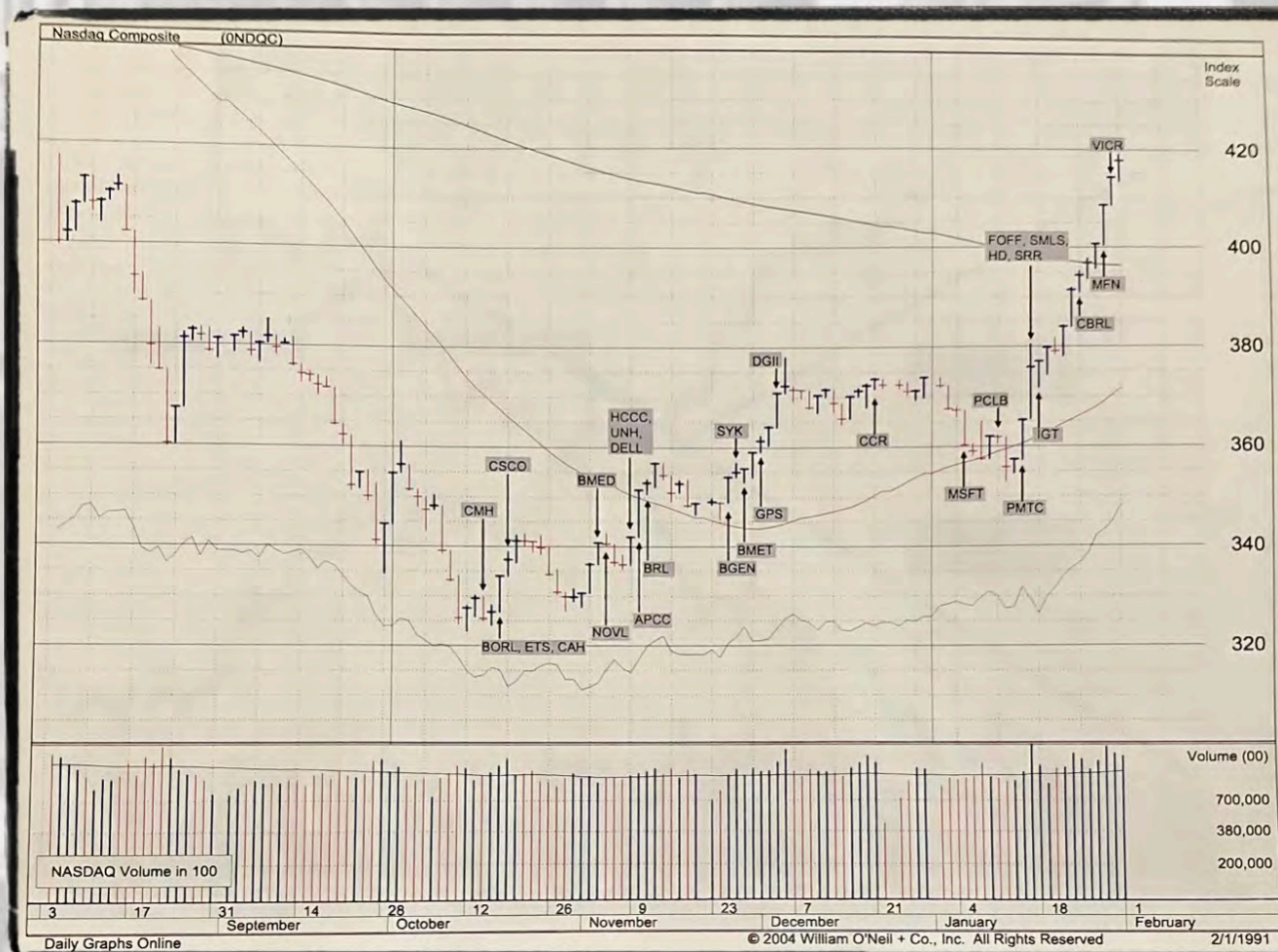


Figure A-42 Nasdaq Composite Daily Chart, 1991

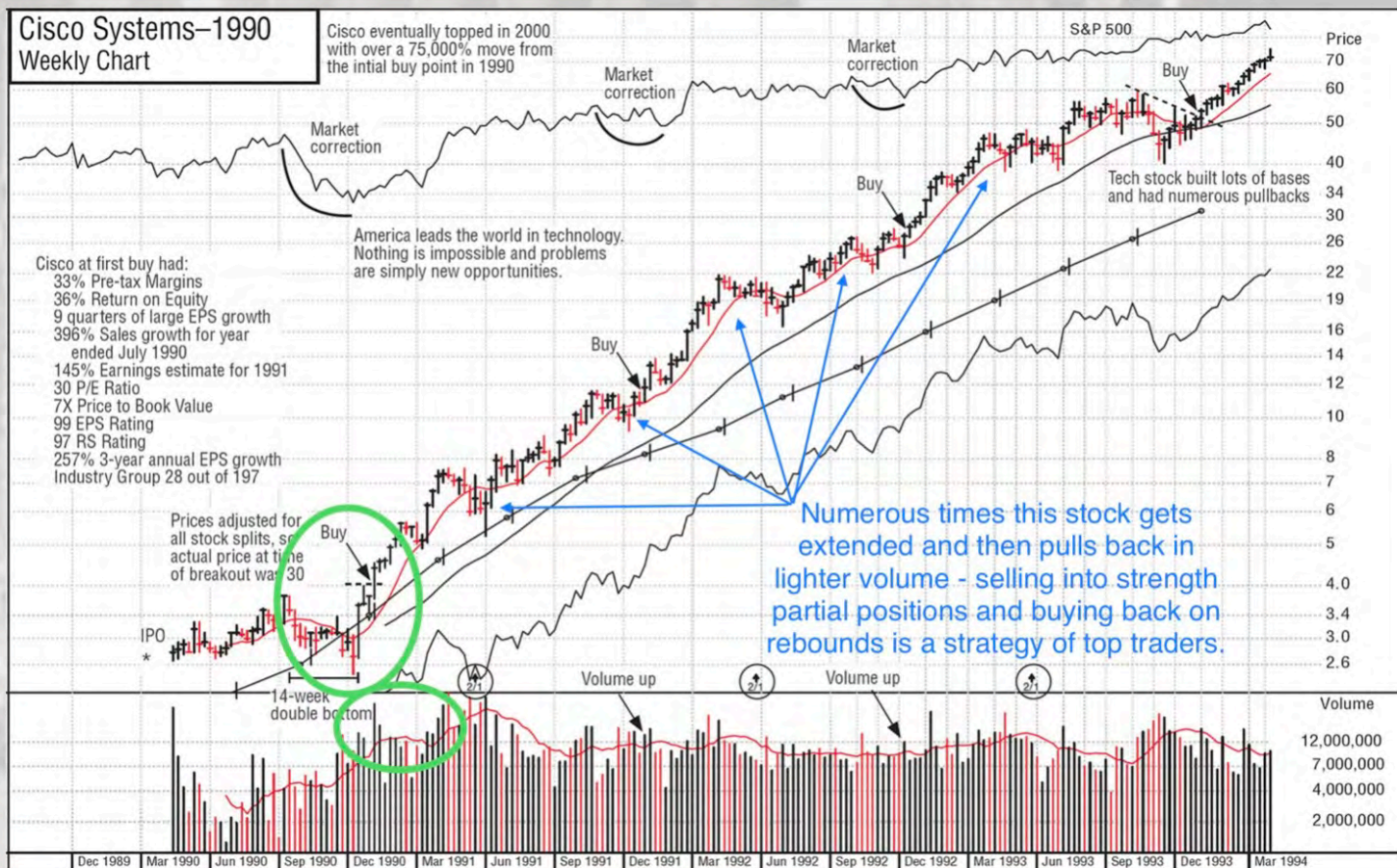


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Source: Investor's Business Daily, Inc. *How To Master Charts & Manage Your Portfolio*, © 2004 by Investor's Business Daily, Inc. Used with permission.



Cisco at first buy had:  
33% Pre-tax Margins  
36% Return on Equity  
9 quarters of large EPS growth  
396% Sales growth for year  
ended July 1990  
145% Earnings estimate for 1991  
30 P/E Ratio  
7X Price to Book Value  
99 EPS Rating  
97 RS Rating  
257% 3-year annual EPS growth  
Industry Group 28 out of 197

Cisco eventually topped in 2000 with over a 75,000% move from the initial buy point in 1990

America leads the world in technology. Nothing is impossible and problems are simply new opportunities.

Numerous times this stock gets extended and then pulls back in lighter volume - selling into strength partial positions and buying back on rebounds is a strategy of top traders.

tech stock built lo  
and had numerous

Prices adjusted for all stock splits, actual price at time of breakout was

14-week  
double bottom

## Volume up

Volume up

Volume
2,000,000
7,000,000
4,000,000
2,000,000

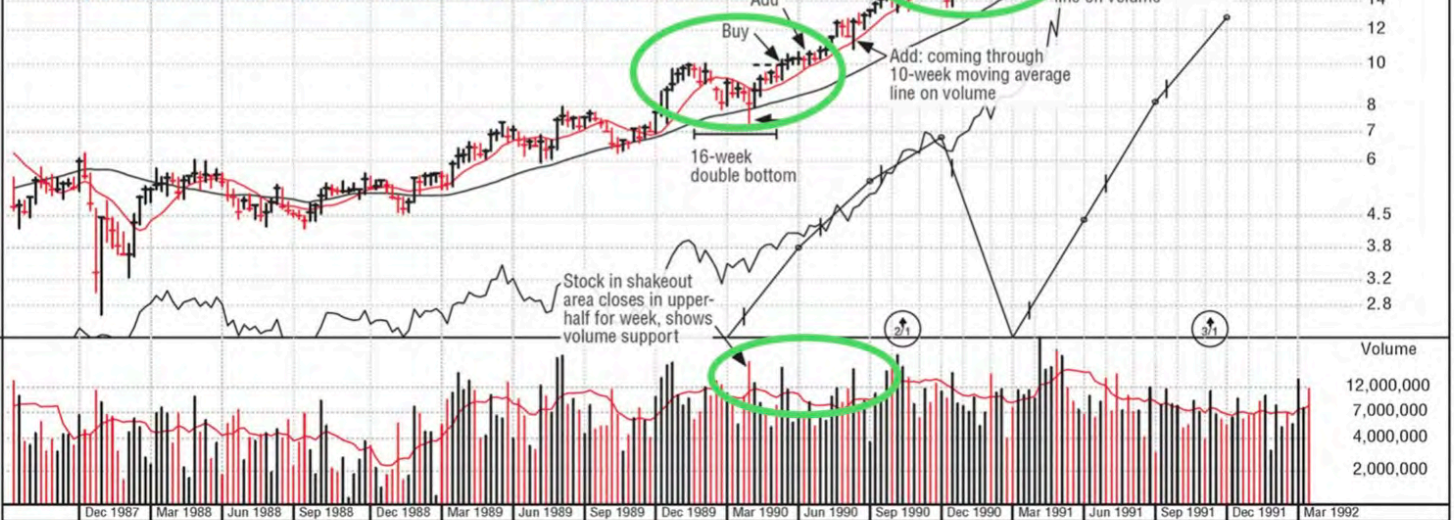
Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.



# Amgen-1990 Weekly Chart

New drug for cancer  
chemotherapy patients.

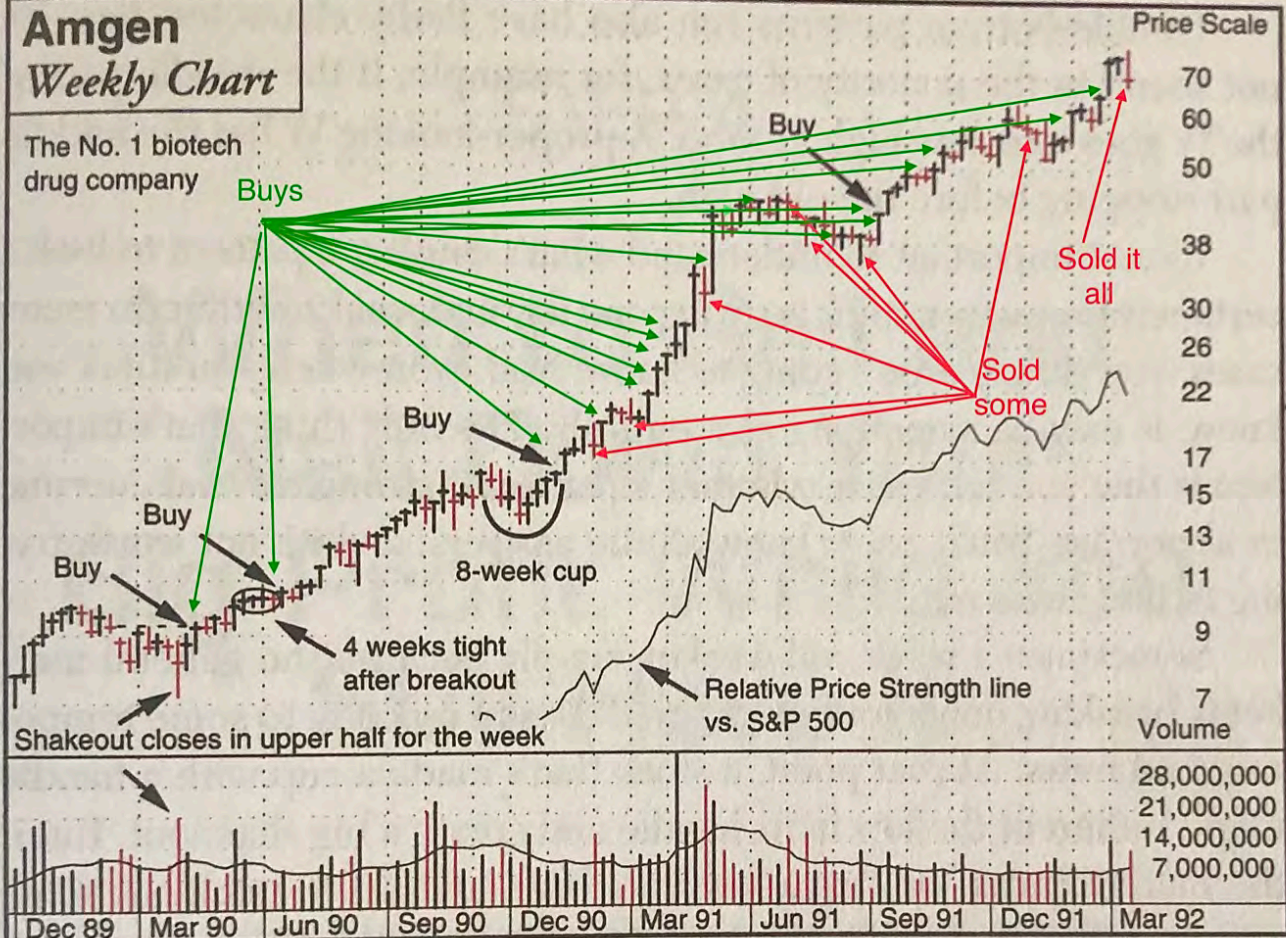
O'Neil buys it off the breakout in Feb '90 and pyramids it up several times. He then added big in October 1990 - had almost his entire account in the stock! Then sells 1/3 of the position in March '91. He rides a pullback down and then buys all the position back on a shakeout. He then rides it all the way to the top and sells the whole position at that top. He nets a 550% profit on the stock.



Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.

## Amgen Weekly Chart

The No. 1 biotech  
drug company

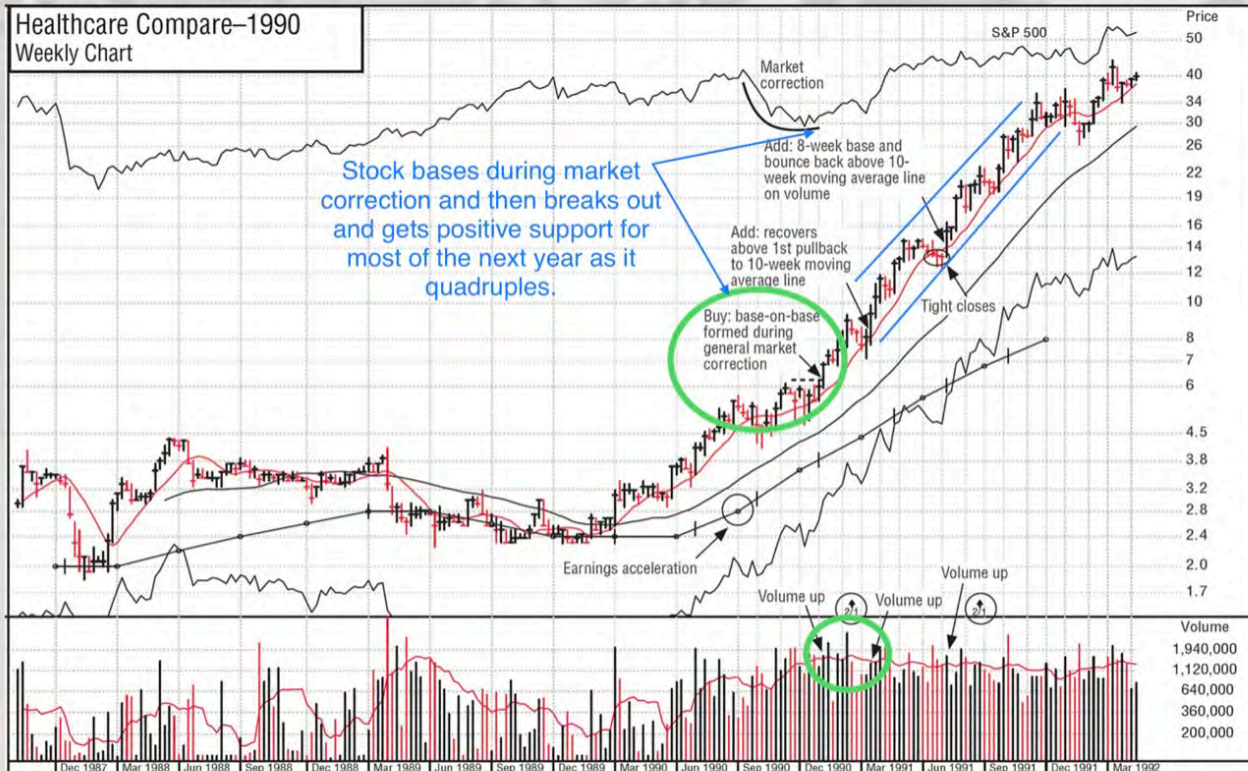


Amgen in 1990 Has Four Weeks Tight After Base Breakout

Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.



## Healthcare Compare-1990 Weekly Chart



Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.

## How To Find & Own America's Greatest Opportunities

By William O'Neil

## SURGICAL CARE AFFILIATES Weekly Chart



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NASDAQ Composite



NASDAQ Composite



Figure A-43 Nasdaq Composite Daily Chart, 1992

Figure A-44 Nasdaq Composite Daily Chart, 1993

## 11/1992 - 10/1993

A 43% gain on the Nasdaq in 11 months. The last three months of '92 the Nasdaq was up 22% as technology stocks were breaking out and soaring. Interest rates were falling and market liquidity and participation was strong. It was a fast and furious climax run that would top out by November '93. O'Neil saw this and cashed out. 1994 was a year that saw the Fed raise rates aggressively starting in February (7 hikes thru Nov). Orange County, CA had huge losses on its derivatives portfolio as the bond market melted. It was a choppy downward market throughout '94.

### Leading Stocks:

Cabletron

Callaway Golf: Breaking out of a healthy base in November 1992, it soars 341% in 12 months.

EMC

Interinvoice: This breaks out in June 1992 and shoots up 340% by October 1993 when the market tops.

International Game Technology

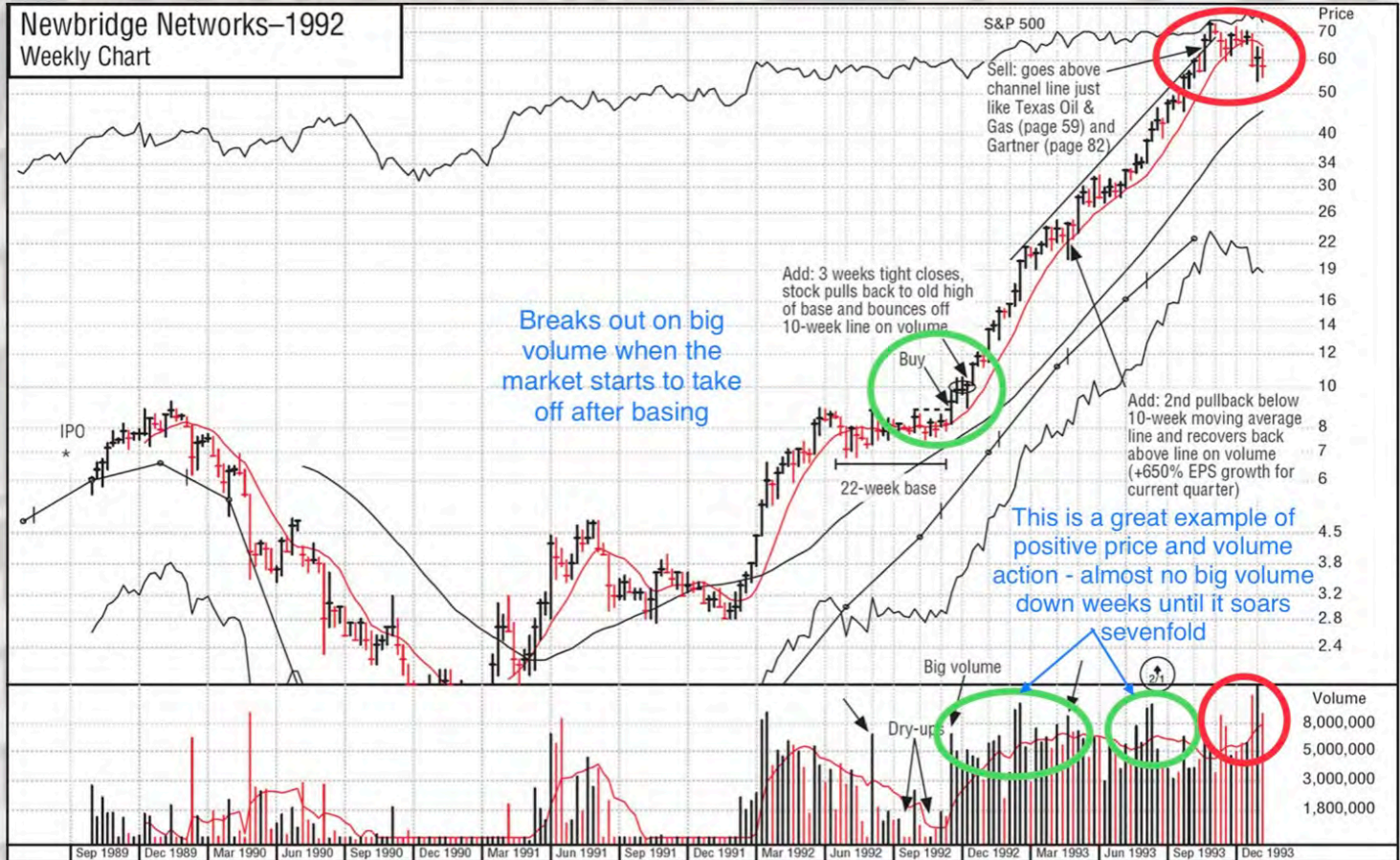
Marvel Entertainment: Breaking out in December 1992, it gains 548% over the next 23 months.

Microsoft: This renewed leader breaks out again in early 1993 on its way to more big gains.

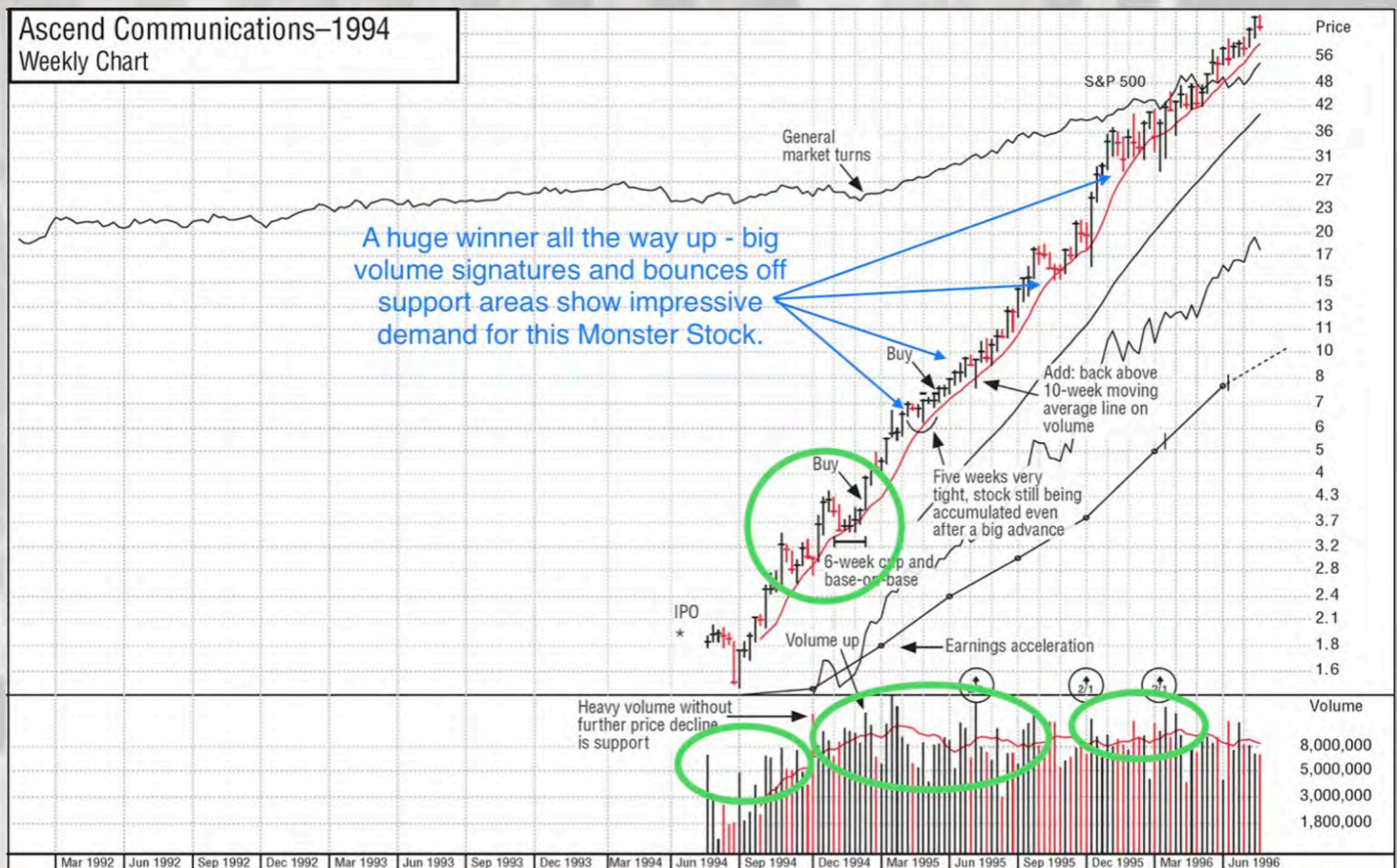
**Newbridge Networks:** This breaks out of a flat base in September 1992 and races up 699% in 11 months.

Tellabs





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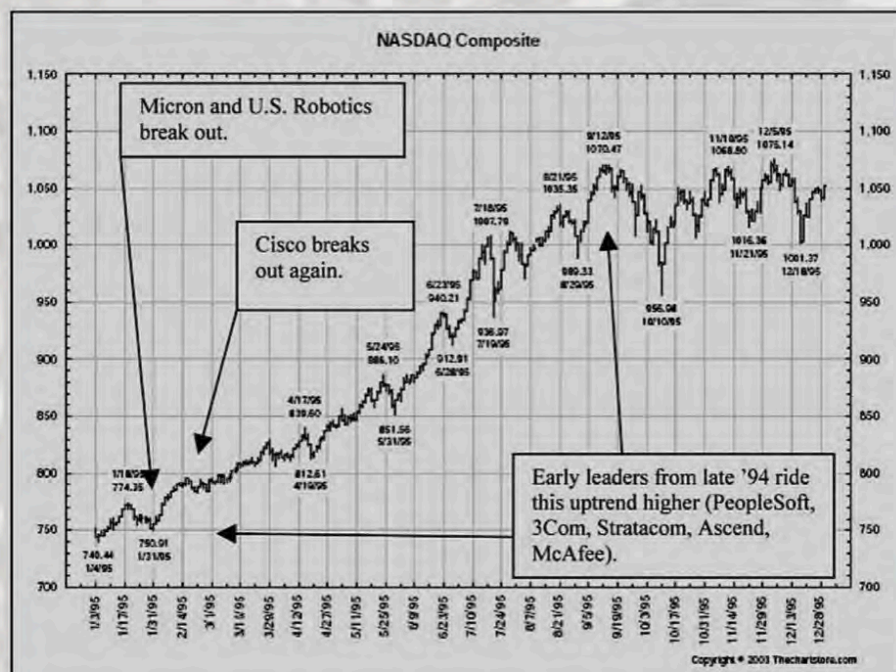


Figure A-45 Nasdaq Composite Daily Chart, 1995

## 01/1995 - 09/1995

A 45% gain on the Nasdaq in only 8 months. After seven interest rate hikes up until this time, the market sensed the Fed was letting off the brakes and started a new uptrend. Technology, banking, and retail stocks would lead this uptrend. Minervini gets aggressive in Apr '95 and scores a 413% return for the year.

### Leading Stocks:

**Ascend Communications:** This new IPO at the time became one of the biggest winners during this time as it lived up to its name and soared over tenfold from its first valid breakout in just over one year.

**AccuStaff:** This breaks out in February 1995 and soars 1,486% in 16 months.

**Alliance Semiconductor:** This leader quadruples in less than one year.

**C-Cube Microsystems:** After it's breakout it gains 494% in just 9 months.

**Cisco Systems:** Breaking out of a newly formed cup-with-handle base, it heads for another major ride up.

**FSI International:** Breaks out in Feb '95 and runs up 130% in 7 months. A winner for Minervini.

**Gartner, Inc:** This stock soars sixfold before flashing major sell signals.

**Kemet:** Breaking out, it soars 198% in only nine months in 1995

**Kenneth Cole:** Broke out in Mar '95 - goes up 102% in 8 months. Another winner for Minervini.

**Macromedia:** This scores a 500% increase in 1995.

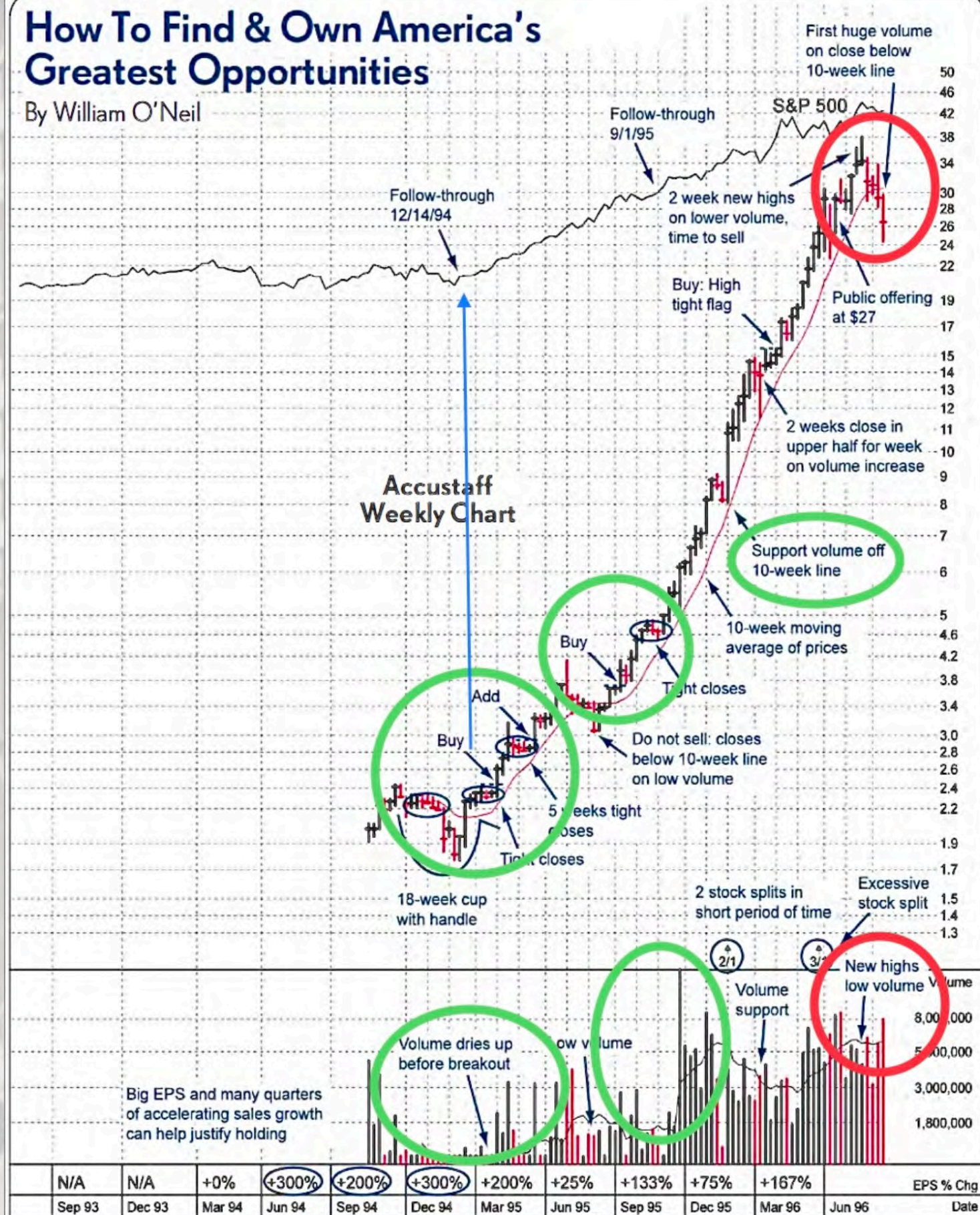
**Micron Technology:** This monster screams ahead 283% in seven months from a breakout in February 1995.

**US Robotics:** This gains 347% in 10 months after a breakout in January 1995.



# How To Find & Own America's Greatest Opportunities

By William O'Neil

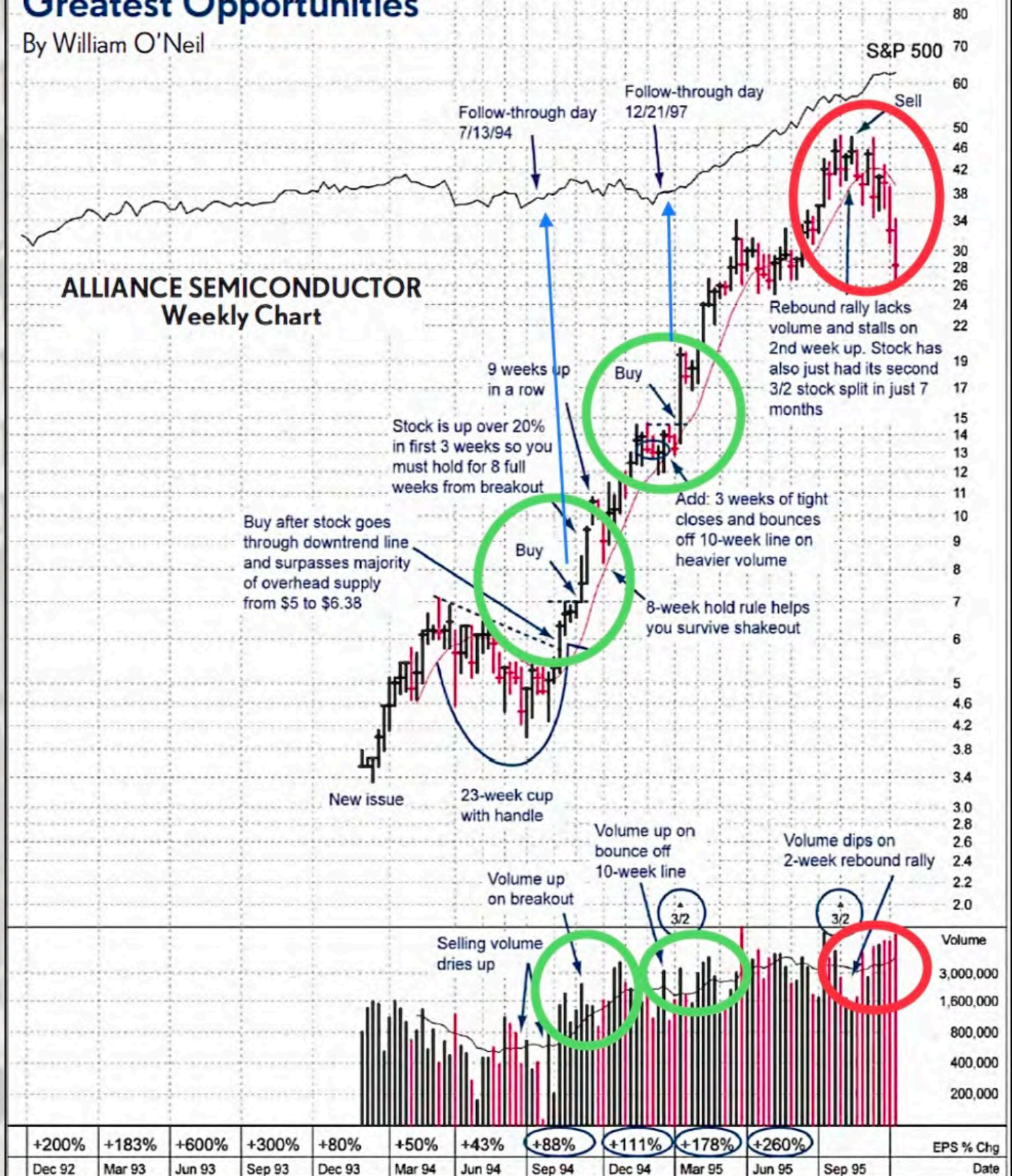


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# How To Find & Own America's Greatest Opportunities

By William O'Neil



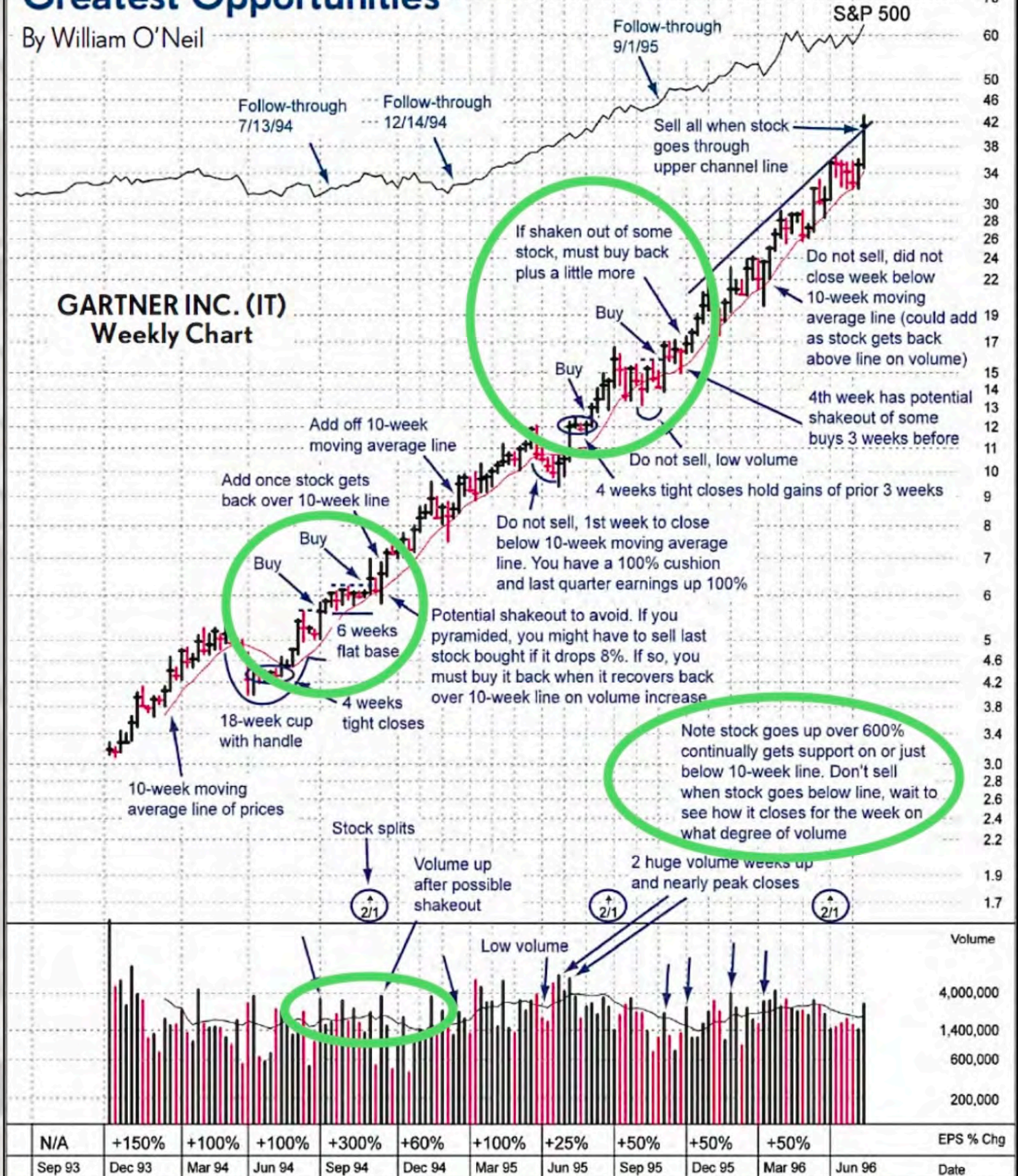
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# How To Find & Own America's Greatest Opportunities

By William O'Neil

## GARTNER INC. (IT) Weekly Chart





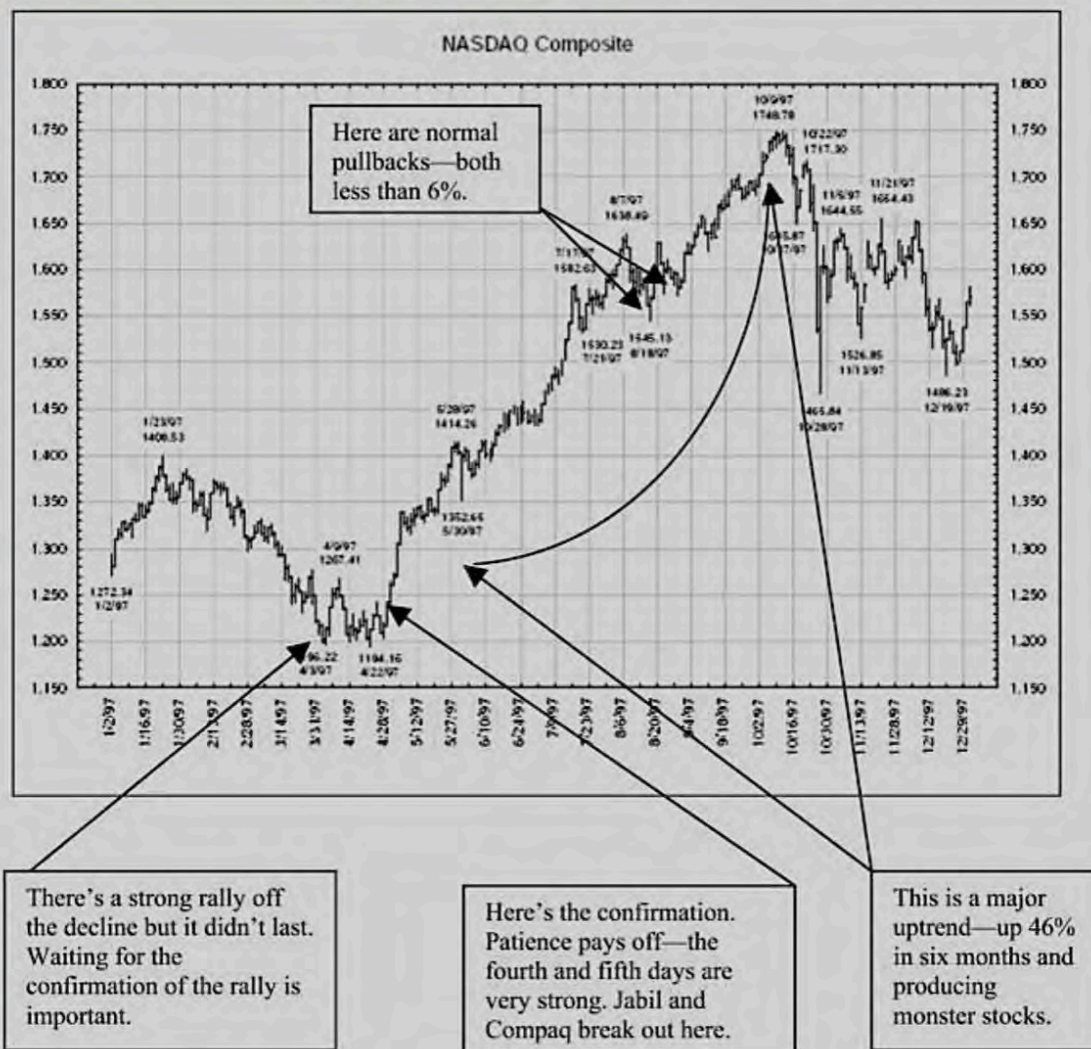


Figure 1-1 Nasdaq Composite Daily Chart, 1997

## 05/1997 - 10/1997

A 46% gain on the Nasdaq in only 6 months. After a Fed rate increase in early '97 that scared the market, a new uptrend began as the Fed refrained from any further increases. In fact it would begin a rate cutting campaign. The economy was strong and many technology companies were breaking out of basing patterns. But the "Asian Flu" currency crisis that hit in the fall topped the market.

### Leading Stocks:

**Compaq Computer:** This leader doubles in 5 months during this short uptrend.

Home Depot

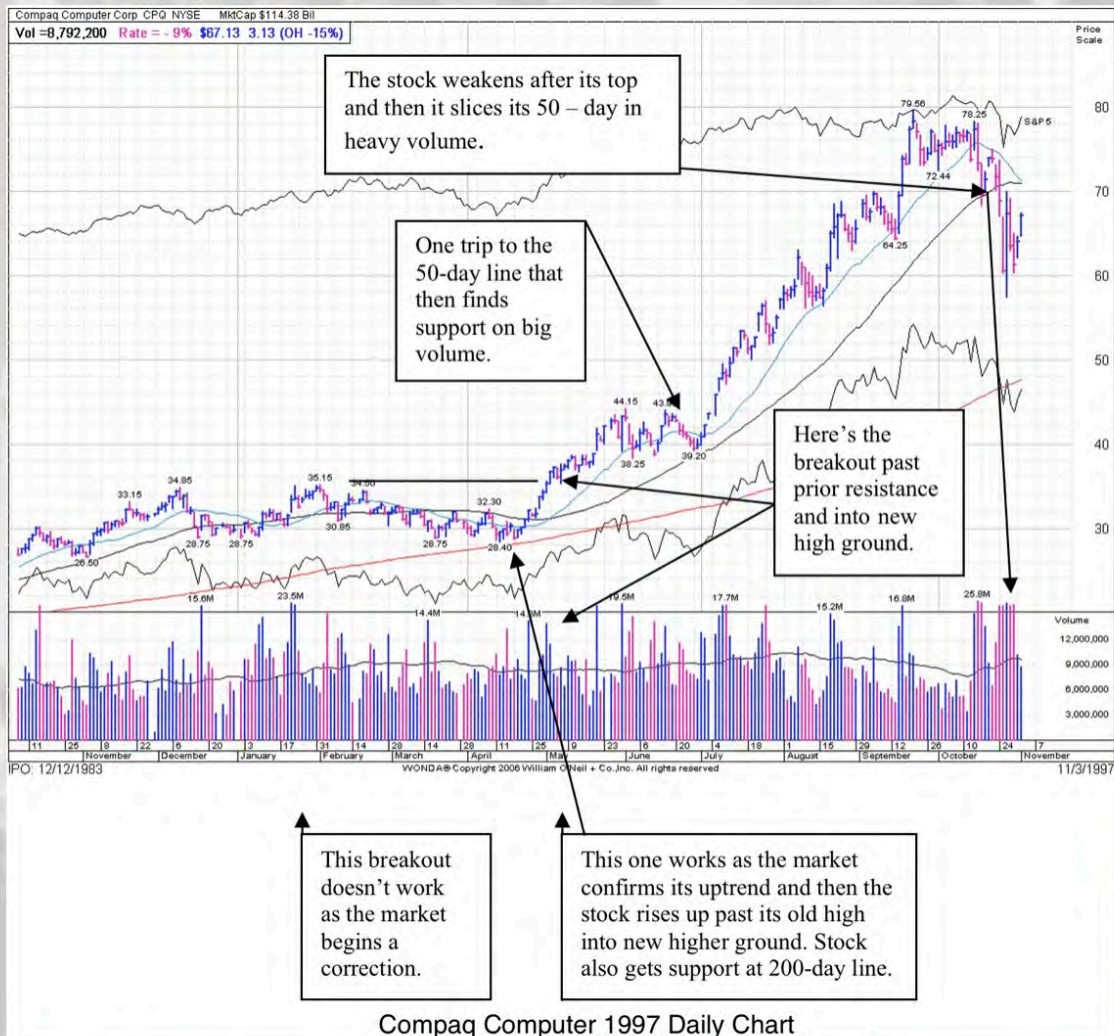
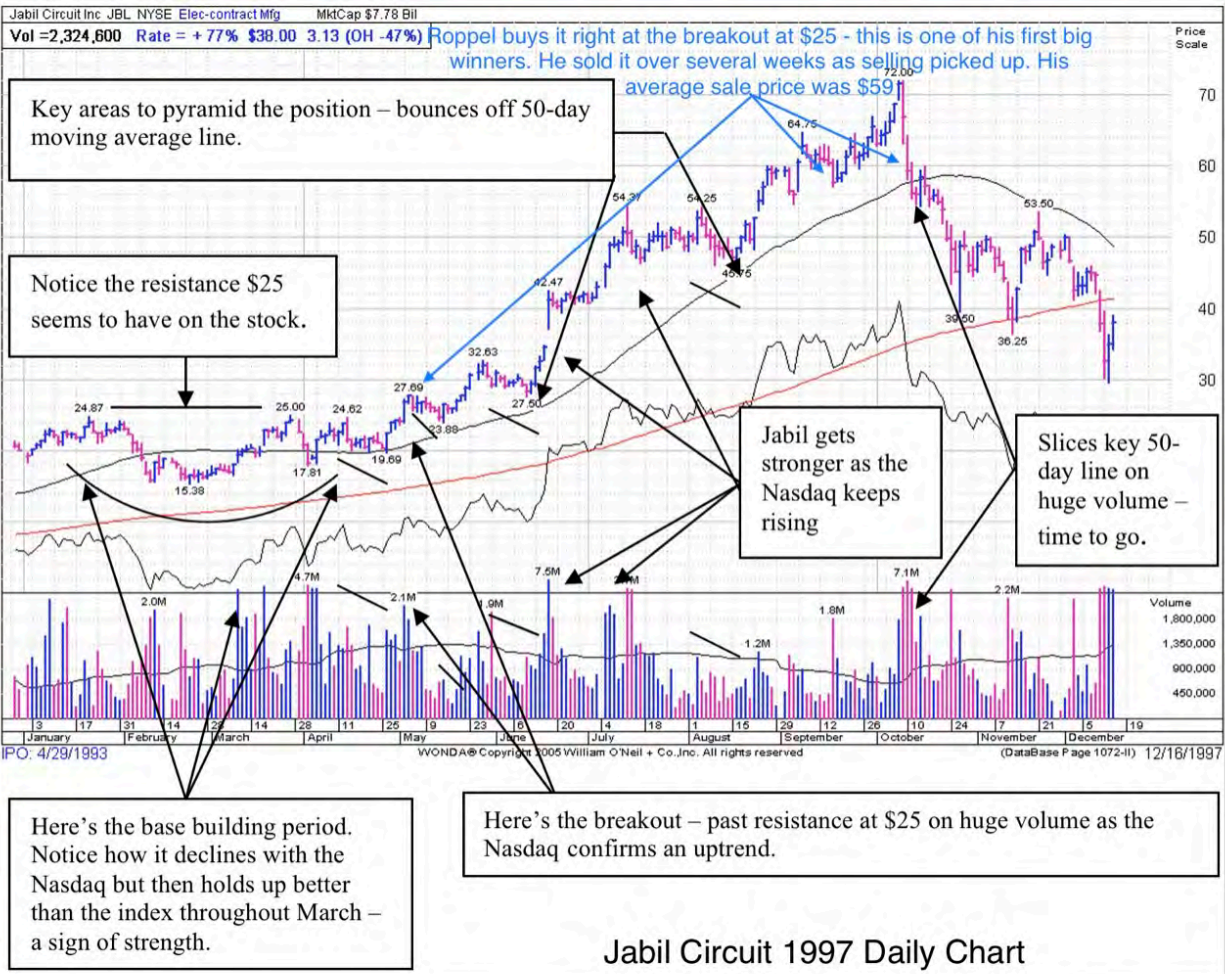
**Jabil Circuit:** This was one of Roppel's first big winners - he made over a 100% return on it in 5 months.

Siebel Systems: A big winner that Roppel missed on a minor pullback.

Yahoo!: An IPO in '96 this stock will base and breakout several times over the next few strong uptrends and then correct and breakout again.

Minervini trades it several times for big gains during those base/breakout periods.







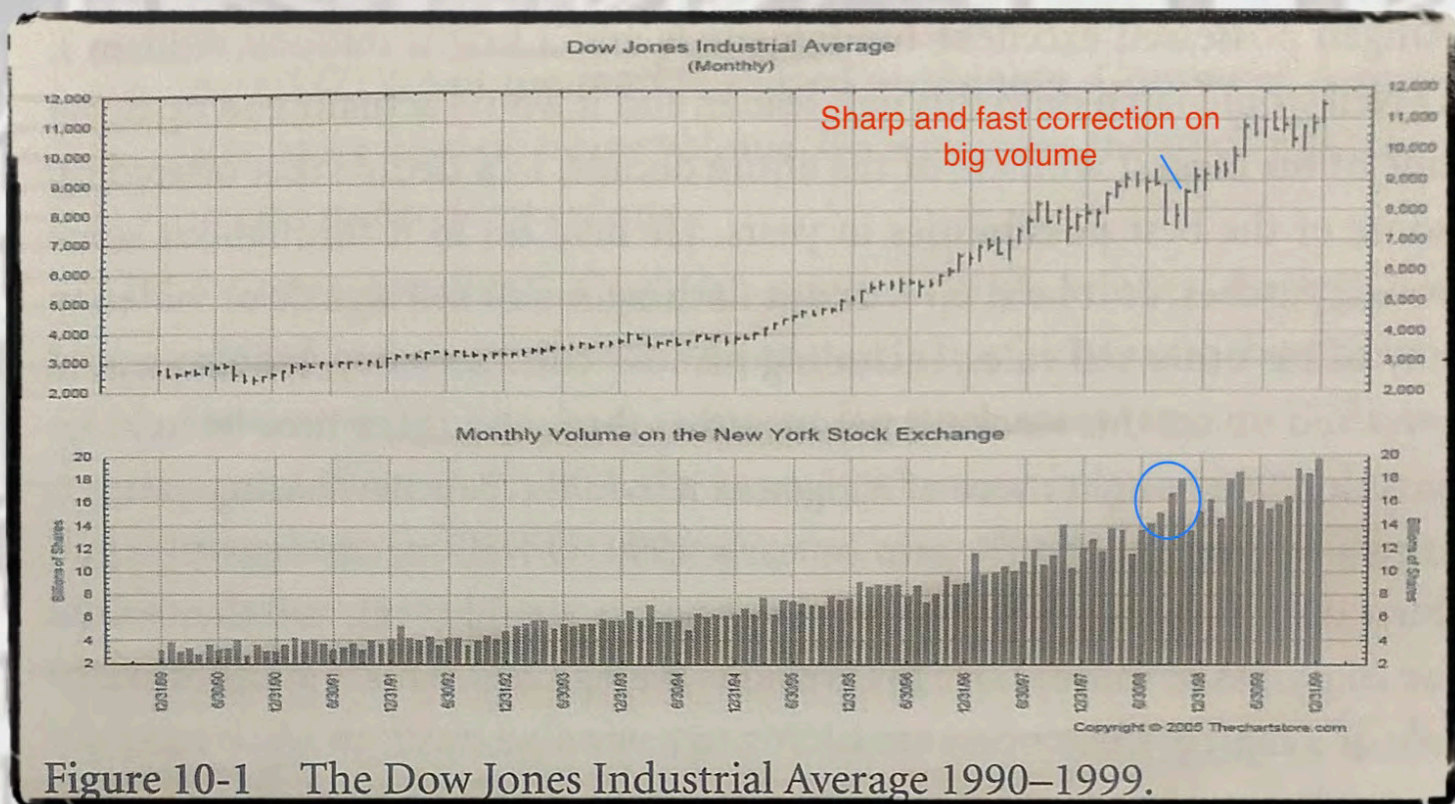
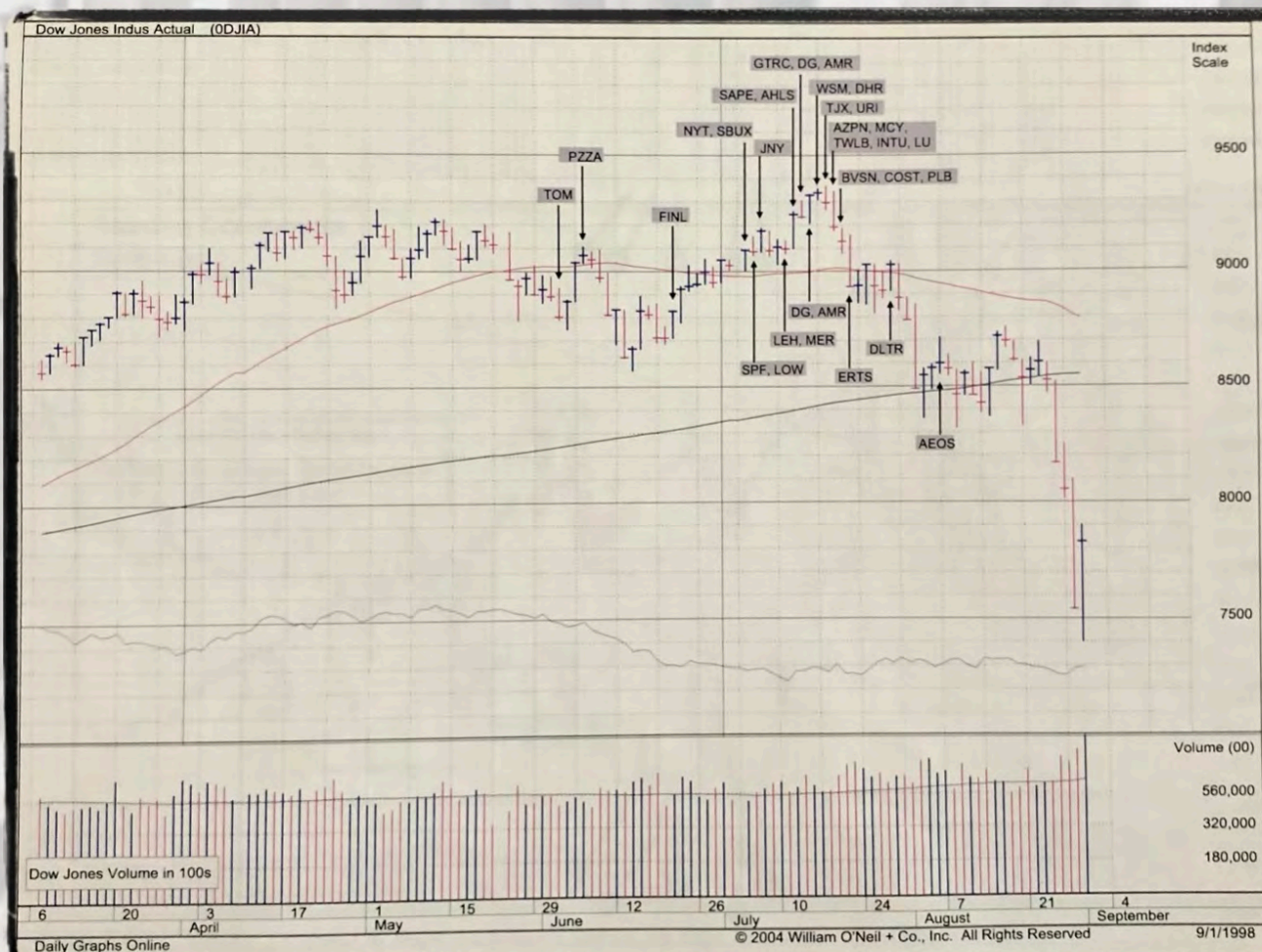


Figure 10-1 The Dow Jones Industrial Average 1990-1999.



1998 Leaders Topping

Source: Investor's Business Daily, Inc. *How To Master Charts & Manage Your Portfolio*, © 2004 by Investor's Business Daily, Inc. Used with permission.



## 07/1998 - 10/1998

The summer of '98 saw the market topping and many leaders flashing topping signals as well (31 in fact before August 1st). O'Neil noticed this and sold his leaders as they began topping. The market broke hard and on August 4th the Dow suffered its 3rd worst one day point drop in history. Russia defaulted on their debt which started the decline. Then Long Term Capital Management (a group of so called experts using efficient market theory models) collapsed near the end of August. During August alone the Dow fell 20% and the Nasdaq was down 27%. Long Term had to be bailed out and the market fell further by October. The Fed then cut rates three times and by mid October '98 the market bottomed and began a new uptrend. On September 17, 1998 there were 22 new highs and 441 new lows.

### Prior Leaders Topping and Correcting:

Cliffs Drilling: From near \$60 in early '98 the sharp bear market dropped it to \$15 in August.

Saville Systems: This former leader dropped from \$50 to \$15 in four months.

CIBER, Inc.: This former leader dropped from \$40 (after it had doubled during the prior 9 months) to \$15 in four months.

Proctor & Gamble

Gillette: O'Neil's institutional company had put this stock on its sell list in late June '98 at \$60. The firm received criticism for selling such a "great" stock. It later sank during this hard market break.



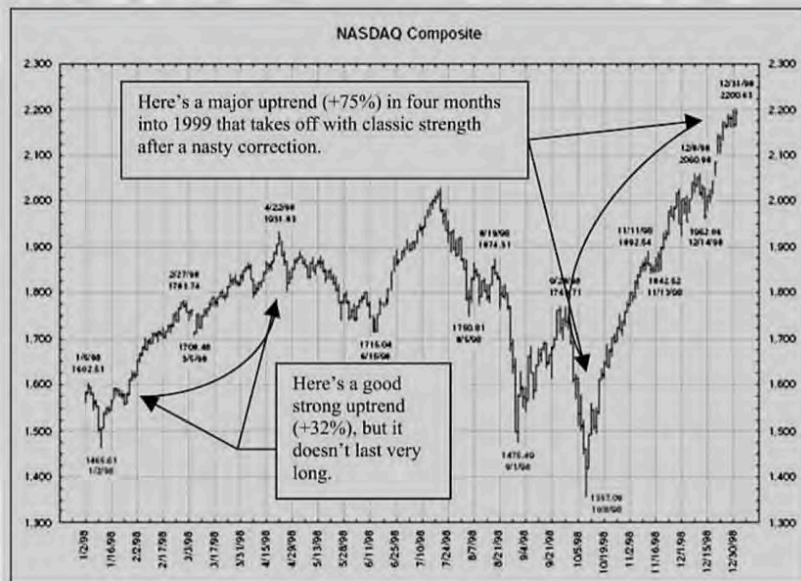


Figure 2-1 Nasdaq Composite Daily Chart, 1998

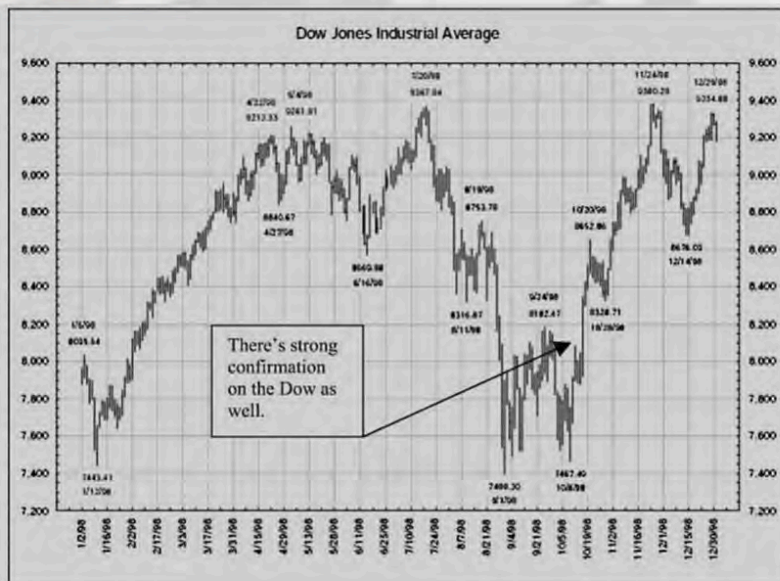


Figure 2-2 Dow Jones Industrial Average Daily Chart, 1998

## 10/1998 - 02/1999

A strong 75% gain on the Nasdaq in only 4 months. The Dow also followed up with a strong uptrend. This uptrend followed a very sharp correction in the summer and early fall of '98 mostly due to a Russian default and the collapse of Long Term Capital Management. But the Fed started to lower interest rates in order to calm the markets, which helped lead the new uptrend. Some of the leaders below had huge runs into early 1999 but then pulled back or corrected during the first half of '99 and then took off again during the late '99 to early 2000 very strong uptrend that actually was a climax run for the stocks and the indexes.

### Leading Stocks:

**Charles Schwab:** This stock breaks out in mid-October as the market picks up. This becomes a huge winner for O'Neil. He scored a 313% return of its 439% run up when it topped in April 1999. O'Neil referenced Quotron Systems chart from 1979 as it looked similar to what Schwab was doing.

**America Online:** It breaks out in late October '98 and soars 557% in only 5 months. O'Neil was in this one as he studied Fairchild Camera that he missed in 1965 - they formed the same ascending base pattern. O'Neil makes a 456% return on AOL when he sold it into its climax run.

JDS Uniphase

Network Appliance

Nokia: Breaks out of a double bottom base and scores a big gain during this short but powerful uptrend.

Lucent Technologies



Sun Microsystems: This was another big winner for O'Neil who scored another triple digit return on this monster stock.

Optical Coating Labs

Yahoo!: Another strong breakout for this stock after a correction.

Nokia

Verisign

**Qualcomm:** This stock was a big winner for O'Neil as he was working with several of these monster stocks at one time but he kept his focus on just a handful - expert concentration.

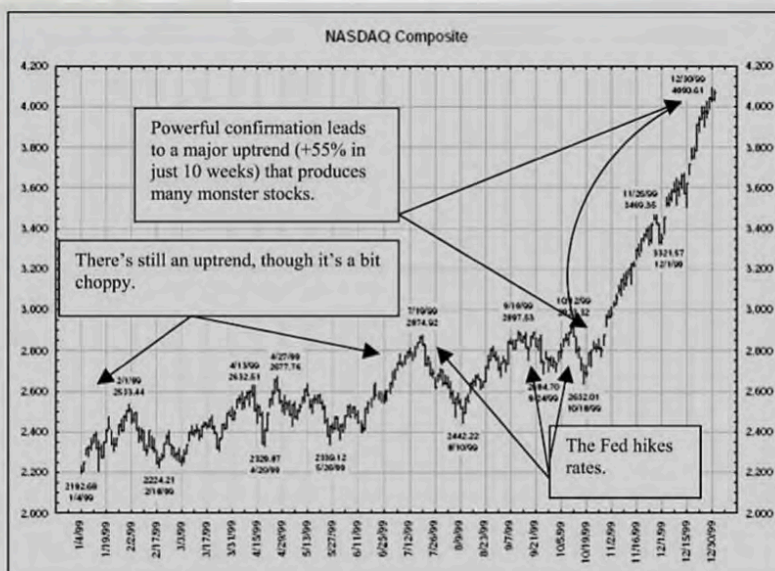


Figure 3-2 Nasdaq Composite Daily Chart, 1999

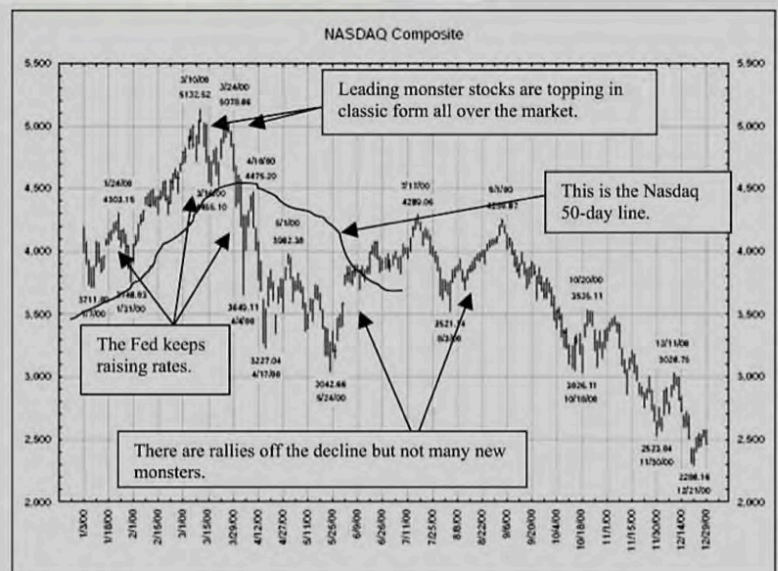
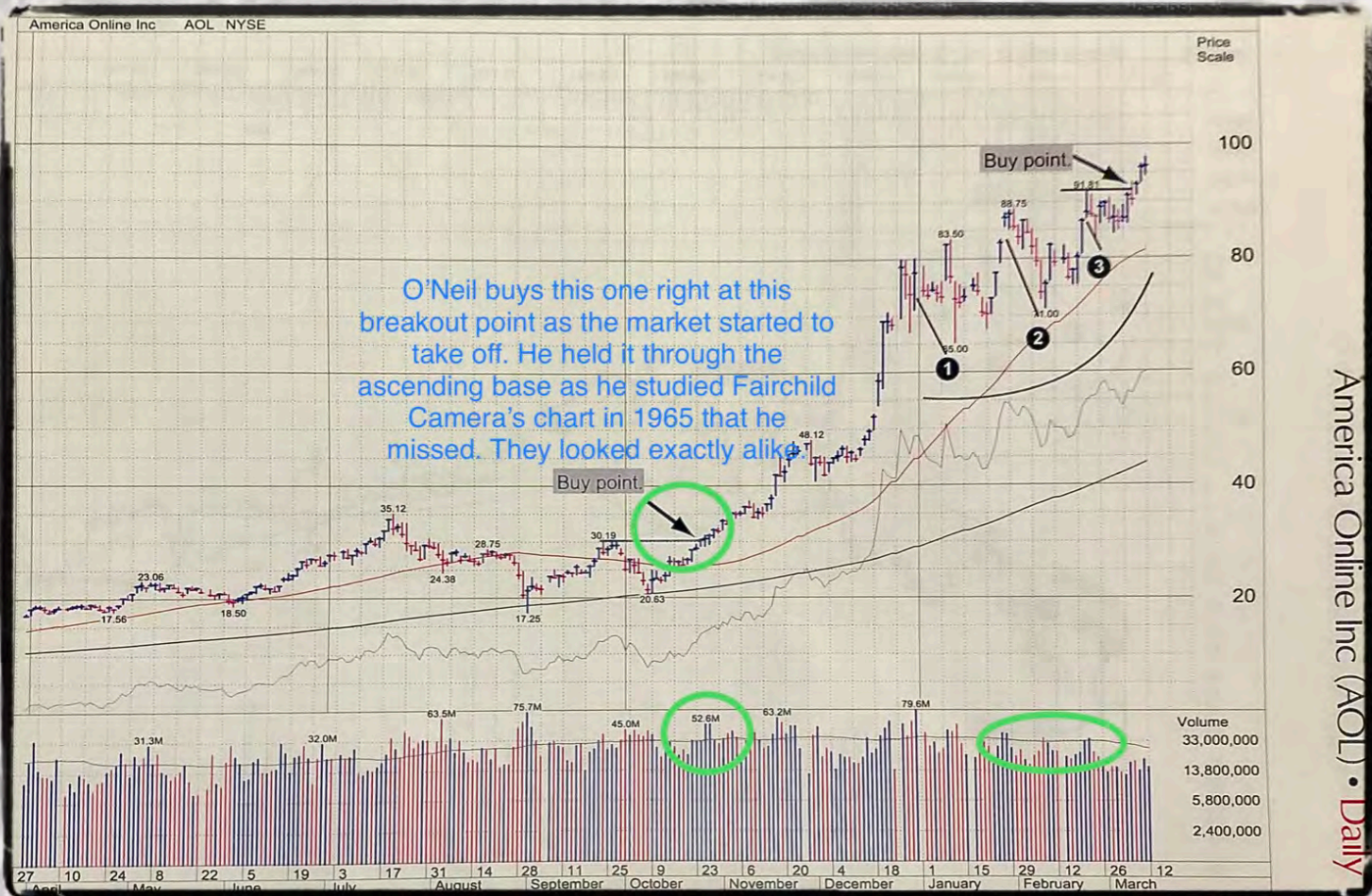


Figure 4-1 Nasdaq Composite Daily Chart, 2000

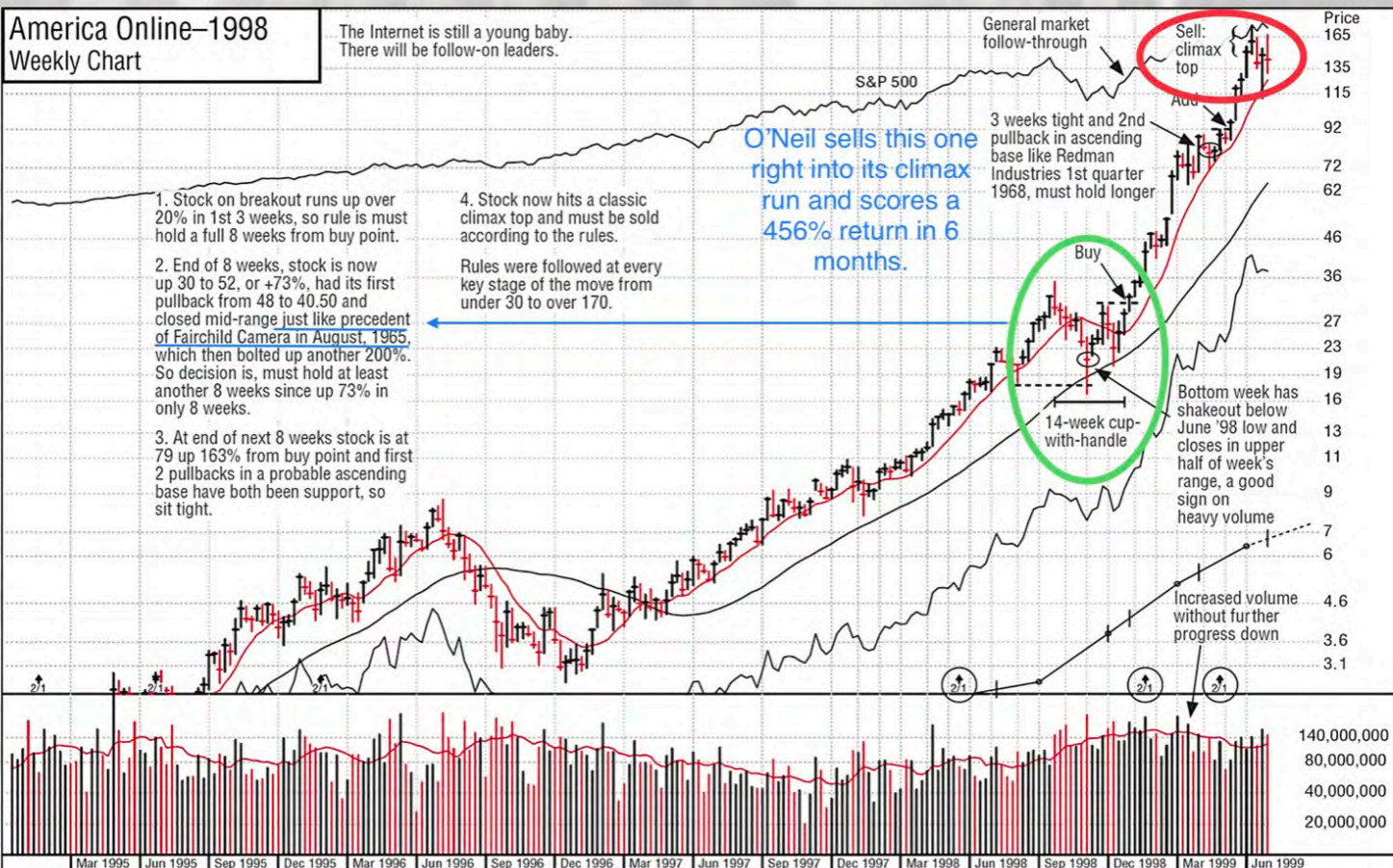




Source: Investor's Business Daily, Inc. *How To Master Charts & Manage Your Portfolio*, © 2004 by Investor's Business Daily, Inc. Used with permission.

### America Online-1998 Weekly Chart

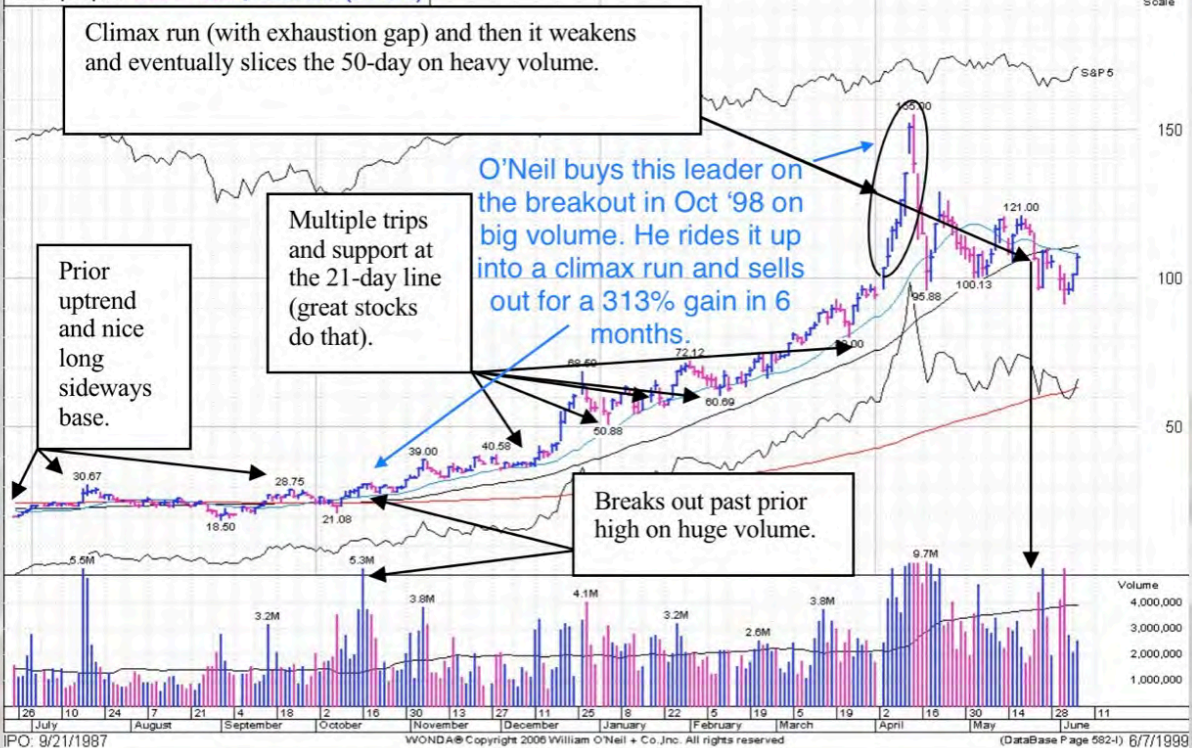
The Internet is still a young baby.  
There will be follow-on leaders.



Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.



Vol = 2,562,400 Rate = - 34% \$106.94 5.94 (OH -31%)

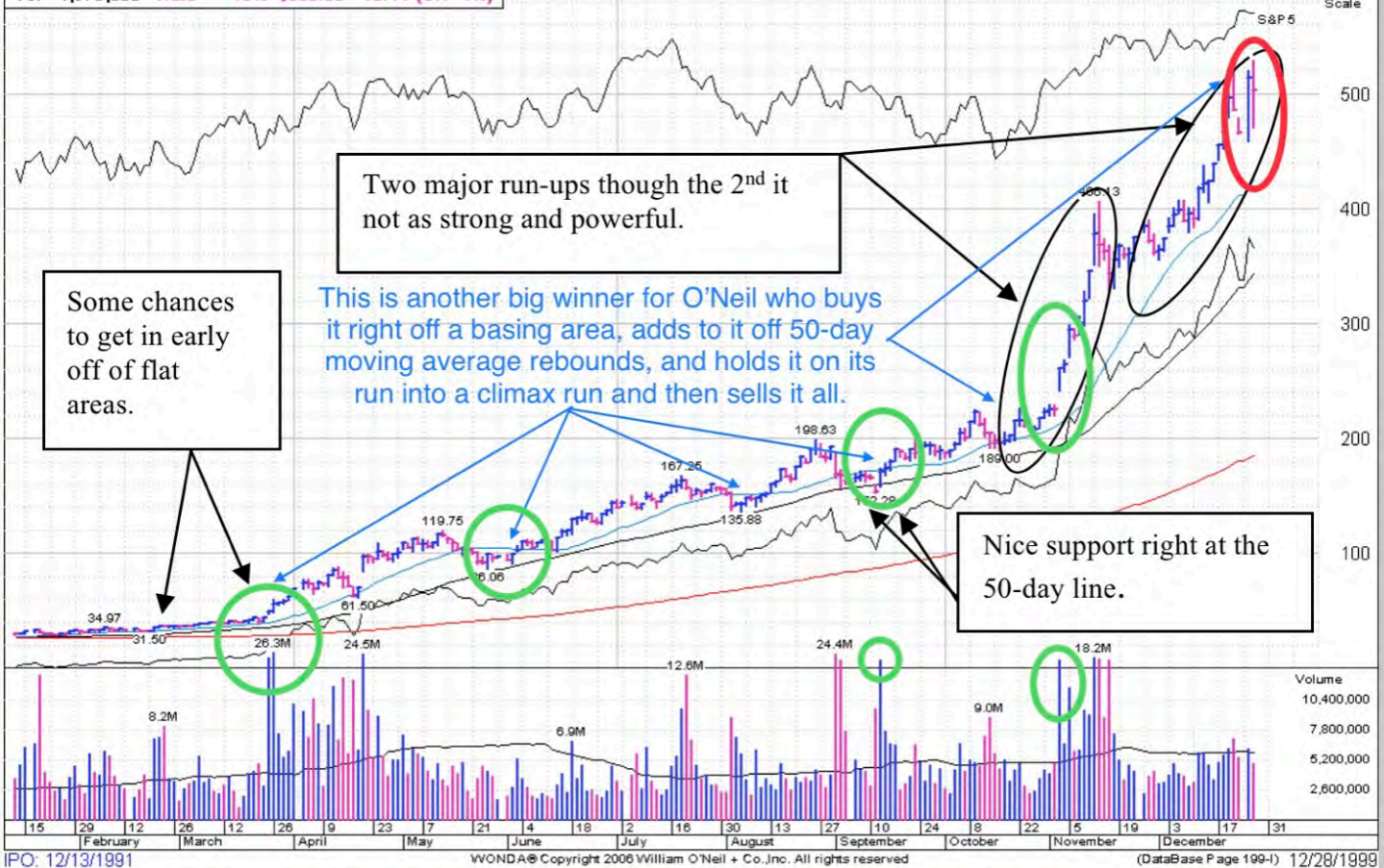


This breakout didn't work. Why? The Nasdaq peaked and started a new downtrend.

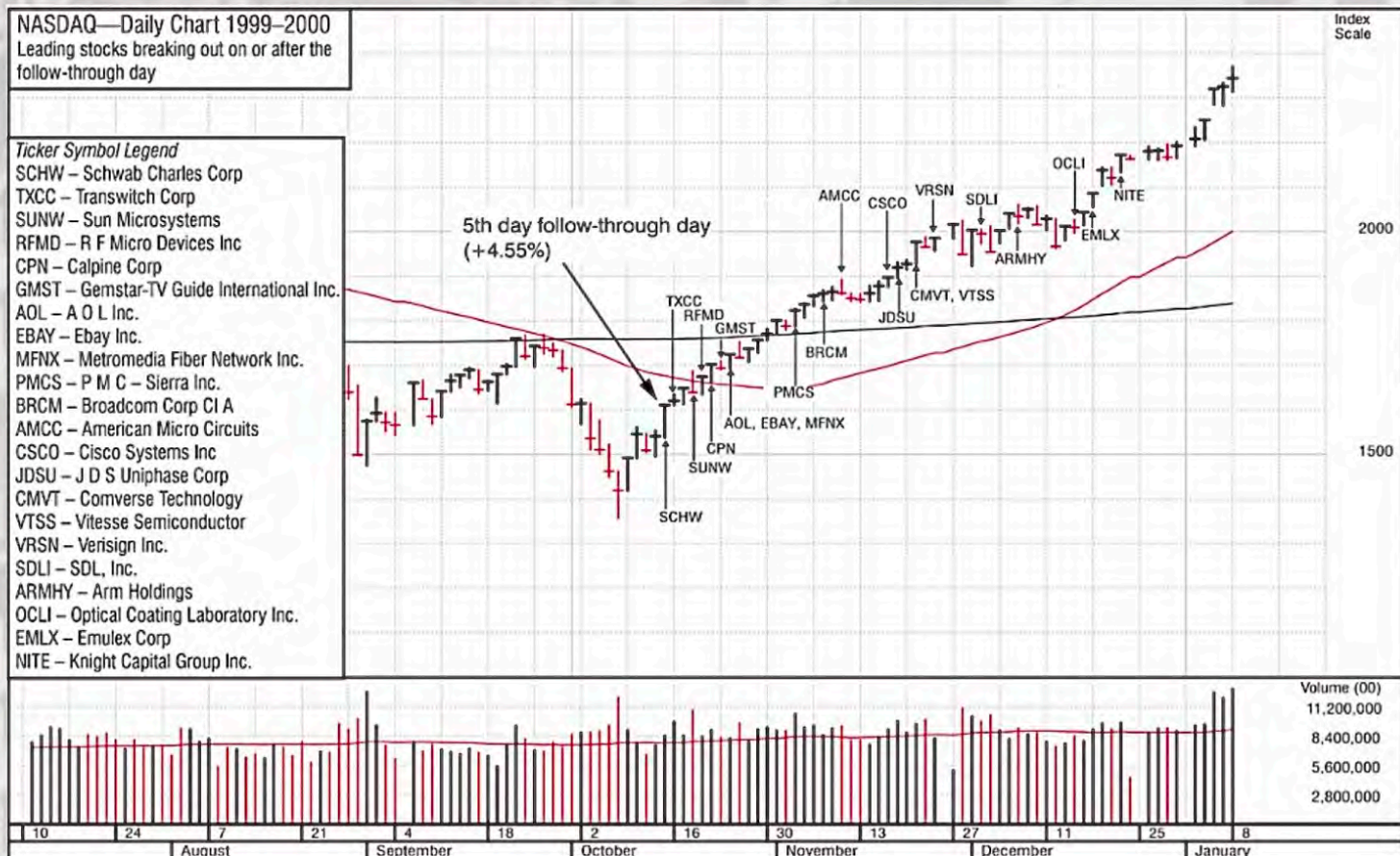
This one worked because the Nasdaq confirmed a new uptrend – see Figure 2-1 above.

Charles Schwab 1998-99 Daily Chart

Vol = 4,973,600 Rate = - 15% \$503.00 -10.44 (OH -4%)







Source: Smith, Amy. *How To Make Money In Stocks Success Stories*, © 2013 by The McGraw-Hill Companies, Inc. All rights reserved.

## 10/1999 - 03/2000

A strong 55% gain on the Nasdaq in only 2 1/2 months. The Dow also followed up with a strong uptrend. All along the run stocks were breaking out. Even though the Fed was hiking rates, stocks and the indexes went into climax runs anticipating no problems when Y2K came (there were serious concerns about the date turning over to 2000 with many systems). This was a classic case of climax runs on stocks and the indexes and mob psychology at work - what Baruch mentioned in his 1932 foreword in *Extraordinary Popular Delusions and The Madness of Crowds*.

### Leading Stocks:

**Broadcom:** This was the big winner for Roppel that turned his life around. He sold his big position for a million dollar profit near the top after a huge reversal and was then able to retire from working for others.

**MicroStrategy:** Big winner that goes into a massive climax run.

**BEA Systems:** Another huge winner that triples into a climax run in only one month after an already strong run.

QLogic

**Yahoo!:** This prior leader breaks out again and more than doubles again into another climax run.



Vol =2,596,400 Rate = - 49% \$162.19 -4.44 (OH -35%)

This time as volume grows the stock sinks through its 50- day – profit takers are selling.

This becomes Roppel's biggest position and the one that changed his life and made him a millionaire. He made three buys (\$64, \$68, and \$75) and then rode it up and sold it all over \$200.

Trips to the 50- day line - each time it gets support – pyramiding opportunities.

Here's the breakout- huge volume confirms demand.

Here's the base building period – not much price movement as the Nasdaq trades choppy.

Broadcom 1999-2000 Daily Chart

B E A Systems Inc BEAS NMS Internet-software MktCap \$38.17 Bil

Vol =3,817,600 Rate = - 14% \$97.38 9.06 (OH -38%)

Climax run, reversal at the top on big volume – then it finally collapses as it slices 21-day line in monster volume and then the 50-day.

Three times near the 50-day and each time it zoomed up off it on big volume.

Flat base and prior uptrend then a saucer style base.

Breaks out with strong market on big volume.

IPO: 4/11/1997

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(DataBase Page 892-II) 4/7/2000

BEA Systems 1999-2000 Daily Chart

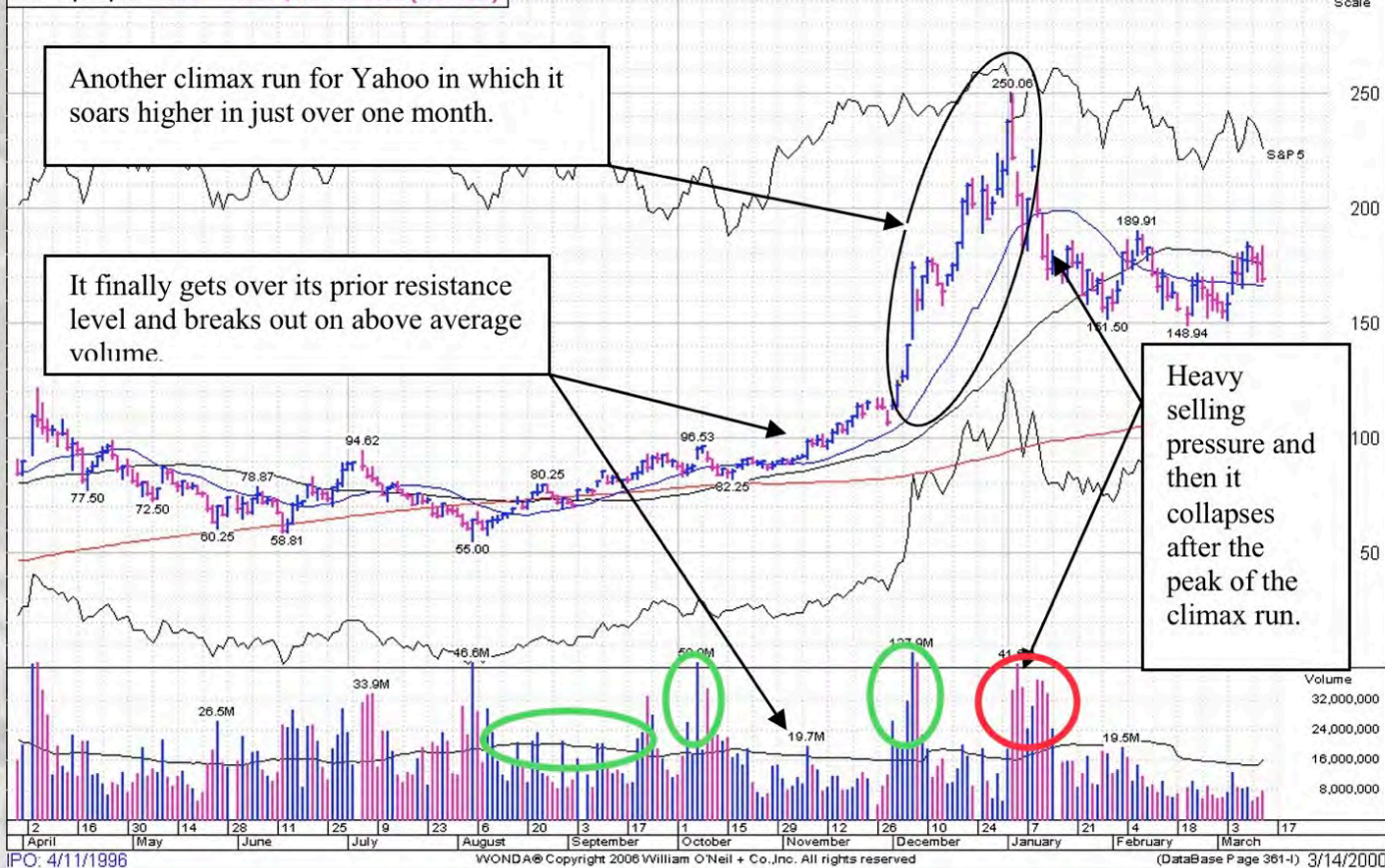


Vol =1,017,100 Rate = - 58% \$24.75 -0.81 (OH -92%)

Price  
Scale

MicroStrategy 1999-2000 Daily Chart

Vol =7,883,500 Rate = - 46% \$168.75 -7.06 (OH -32%)

Price  
Scale

Yahoo! 1999-2000 Daily Chart



## Historic Cycles & Monster Stocks 2000 - 2010s

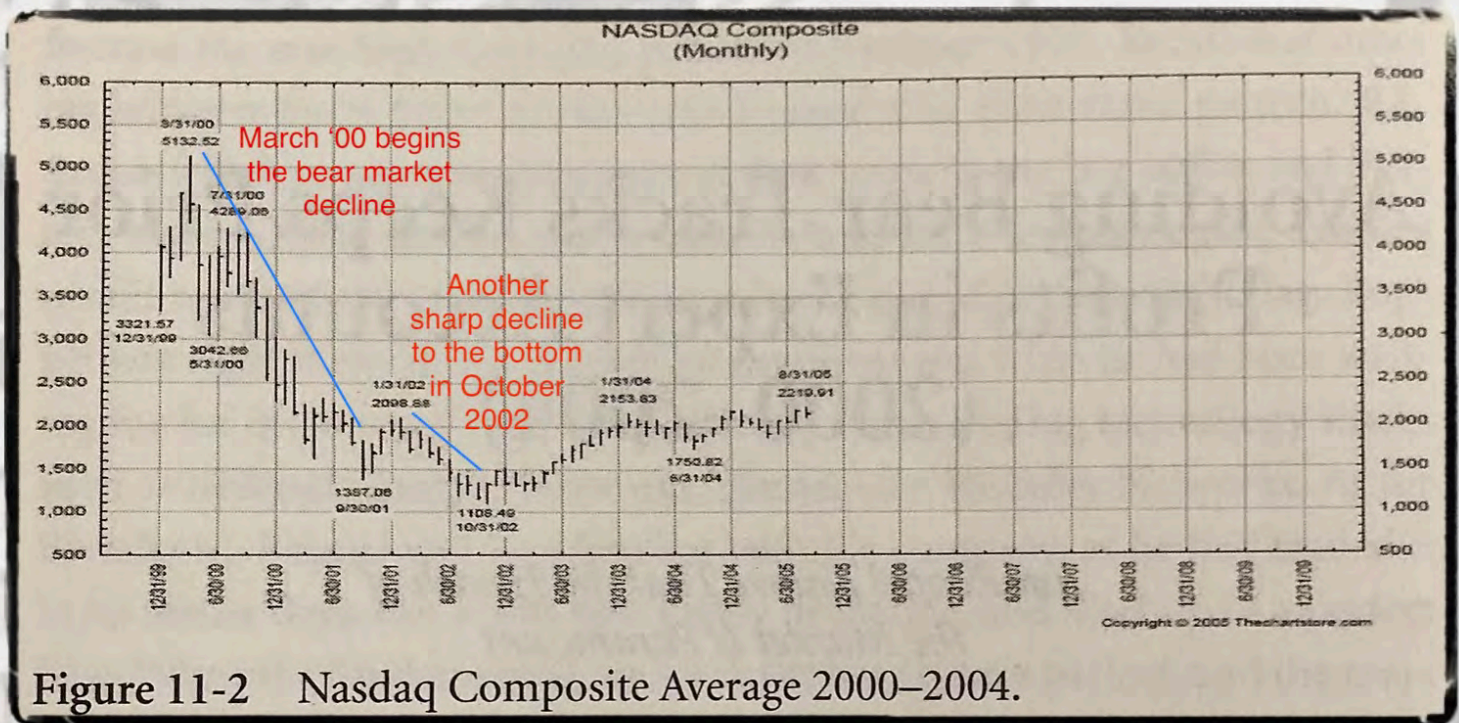
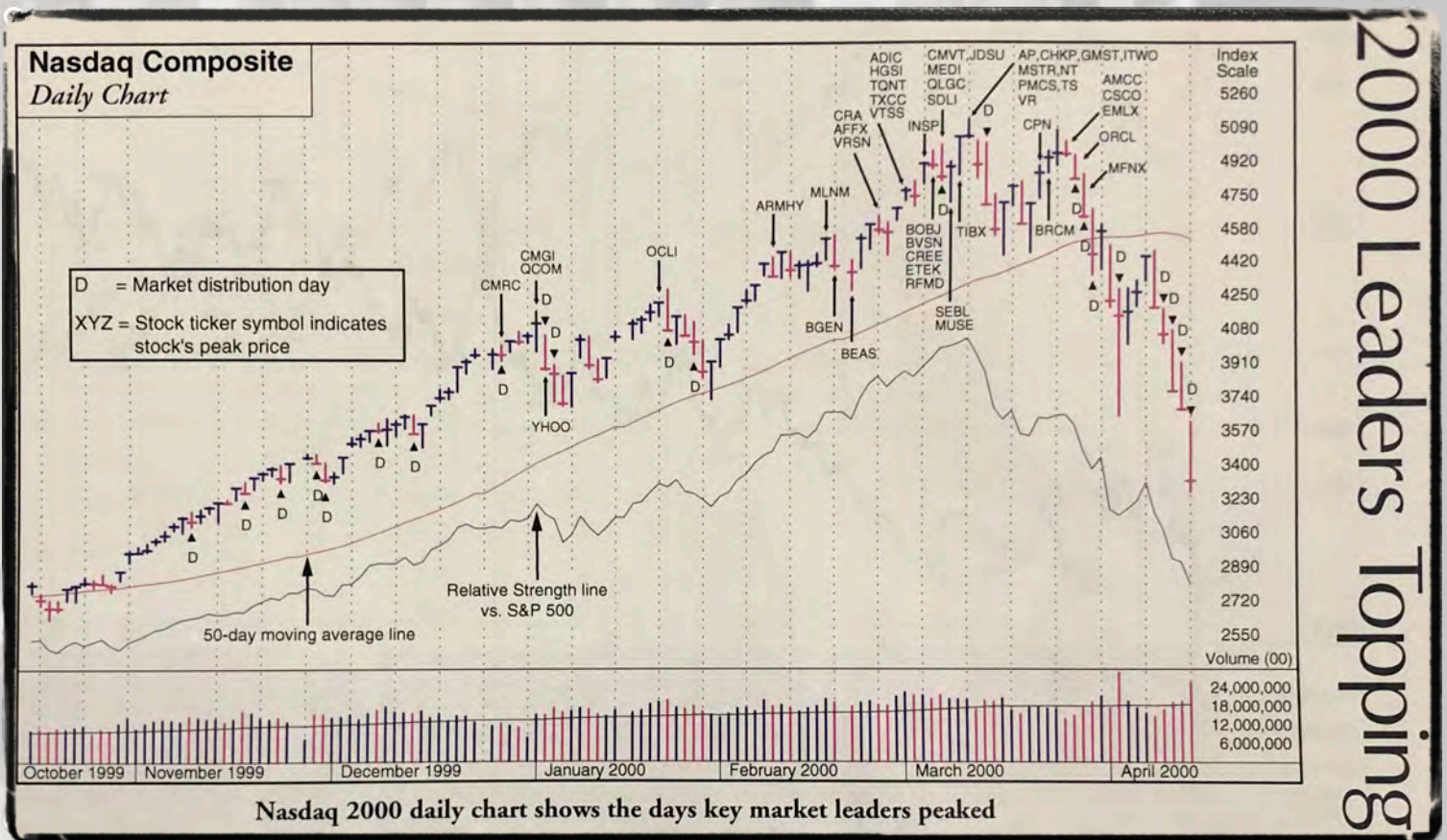


Figure 11-2 Nasdaq Composite Average 2000–2004.





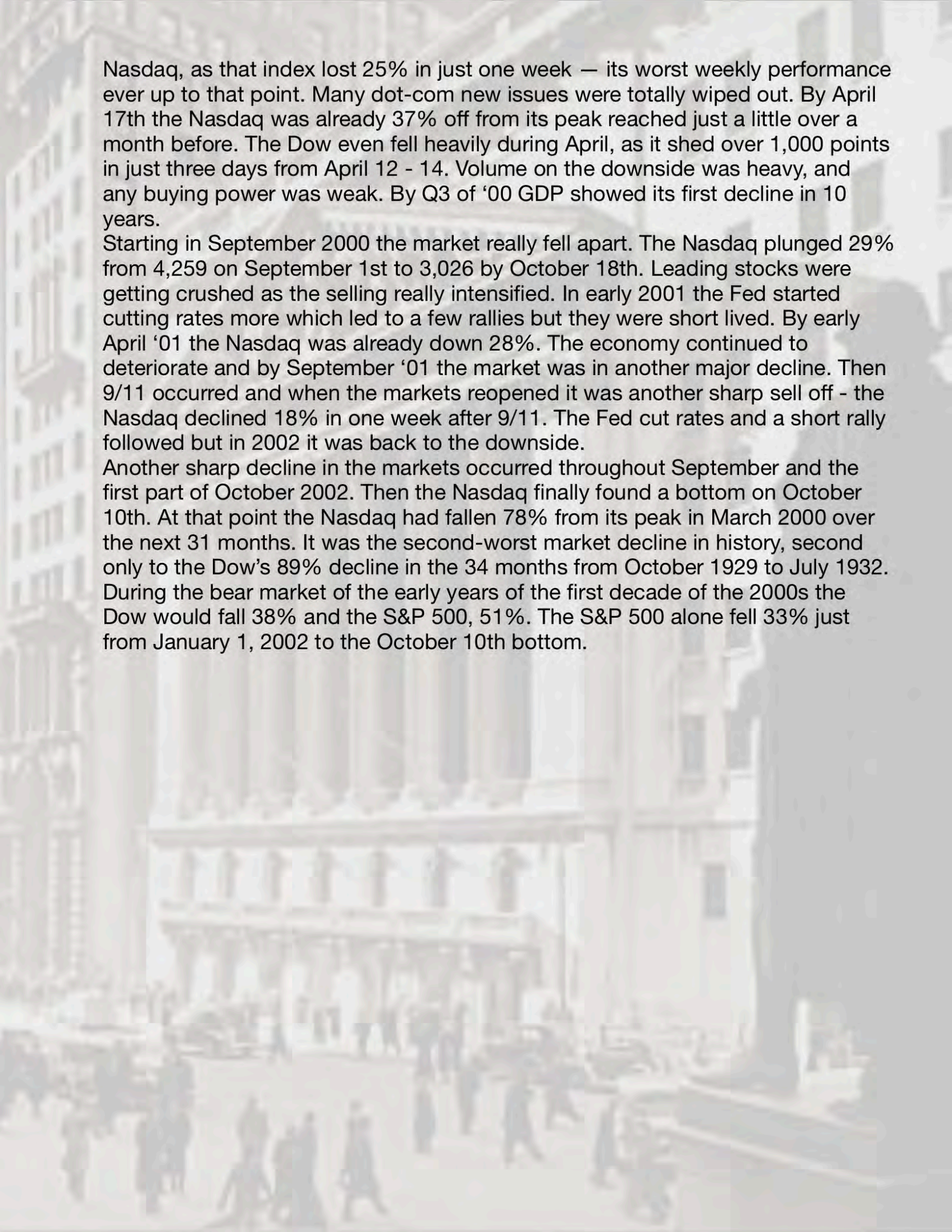
## 03/2000 - 10/2002

As the first quarter of 2000 was winding down, the frenzy really hit its peak in the market. On March 10th the Nasdaq broke the 5,000 level for the first time. By March 1, the Nasdaq had climbed 108% over the preceding 12 months, but the Dow was up only 9% and the S&P 500 up almost 12% during the same time span. It was clearly a technology-based frenzy. In March 2000, mutual fund cash positions were at a low of 4%, indicating that most of the funds available were already invested. As the Nasdaq blew past 5,000 it would hit a high of 5,132 on March 10th. But a few leading stocks by that time had already exhibited climax runs and tops after their huge run-ups. The following details the action on the Nasdaq for certain key sessions in early to late-March 2000. It should be noted that on March 6th, the Nasdaq had risen 86% in just the preceding five months. It should also be noted that the Fed had started raising rates in June 1999 and would raise them six times until May 2000.

- March 7.* The Nasdaq started higher but then reversed and lost 57 points, or 1.2%, on very heavy volume of 2.1 billion shares. This was the index's first heavy loss since Jan 3, 2000. The S&P 500 fell 2.6% that day, and the Dow sank 3.7%, as NYSE volume increased.
- March 8.* The Nasdaq ended up 1% higher, but volume came in 7% lighter than the day before.
- March 10.* The Nasdaq sprinted up 85 points to hit a high of 5,132 in the morning. It would end up only 1.76 points higher at 5,048. This was a major reversal off the top, another sign of a tired market.
- March 14.* The Nasdaq sank 4.1%, or 200 points, and volume climbed to 1.98 billion shares, or 17% higher than the day before. Biotech stocks got crushed (down over 13% as a group), as President Clinton and Prime Minister Blair make an announcement that they want free access to raw data in order to map the human genome.
- March 15.* IBD stated that it would be wise to take some profits and ease off margin as heavy selling was overtaking any buying power and distribution was building. The Nasdaq sank 2.6%, or 124 points, though volume eased up a bit. The Dow and S&P 500 however rebounded and scored gains of 3.3% and 2.4%, respectively."
- March 28, 29 and 30,* the Nasdaq experienced three large sell-offs on heavy volume as the index sank over 10%. While the Dow had sprinted higher during March, the Nasdaq was really getting into trouble. When April began, the Nasdaq really began to fall apart as more big investors were heading for the exits.

Roppel had cashed out during the climax runs on the leading stocks. O'Neil and his portfolio managers had done the same. Top traders were now in cash before the worst was still ahead. The week ending April 14th was a disaster on the





Nasdaq, as that index lost 25% in just one week — its worst weekly performance ever up to that point. Many dot-com new issues were totally wiped out. By April 17th the Nasdaq was already 37% off from its peak reached just a little over a month before. The Dow even fell heavily during April, as it shed over 1,000 points in just three days from April 12 - 14. Volume on the downside was heavy, and any buying power was weak. By Q3 of '00 GDP showed its first decline in 10 years.

Starting in September 2000 the market really fell apart. The Nasdaq plunged 29% from 4,259 on September 1st to 3,026 by October 18th. Leading stocks were getting crushed as the selling really intensified. In early 2001 the Fed started cutting rates more which led to a few rallies but they were short lived. By early April '01 the Nasdaq was already down 28%. The economy continued to deteriorate and by September '01 the market was in another major decline. Then 9/11 occurred and when the markets reopened it was another sharp sell off - the Nasdaq declined 18% in one week after 9/11. The Fed cut rates and a short rally followed but in 2002 it was back to the downside.

Another sharp decline in the markets occurred throughout September and the first part of October 2002. Then the Nasdaq finally found a bottom on October 10th. At that point the Nasdaq had fallen 78% from its peak in March 2000 over the next 31 months. It was the second-worst market decline in history, second only to the Dow's 89% decline in the 34 months from October 1929 to July 1932. During the bear market of the early years of the first decade of the 2000s the Dow would fall 38% and the S&P 500, 51%. The S&P 500 alone fell 33% just from January 1, 2002 to the October 10th bottom.





Figure 5-2 Nasdaq Composite Daily Chart, 2002

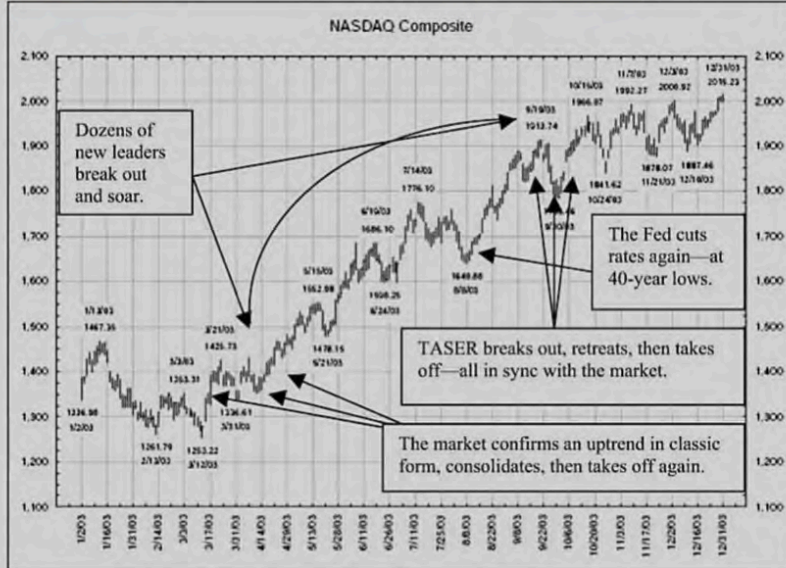
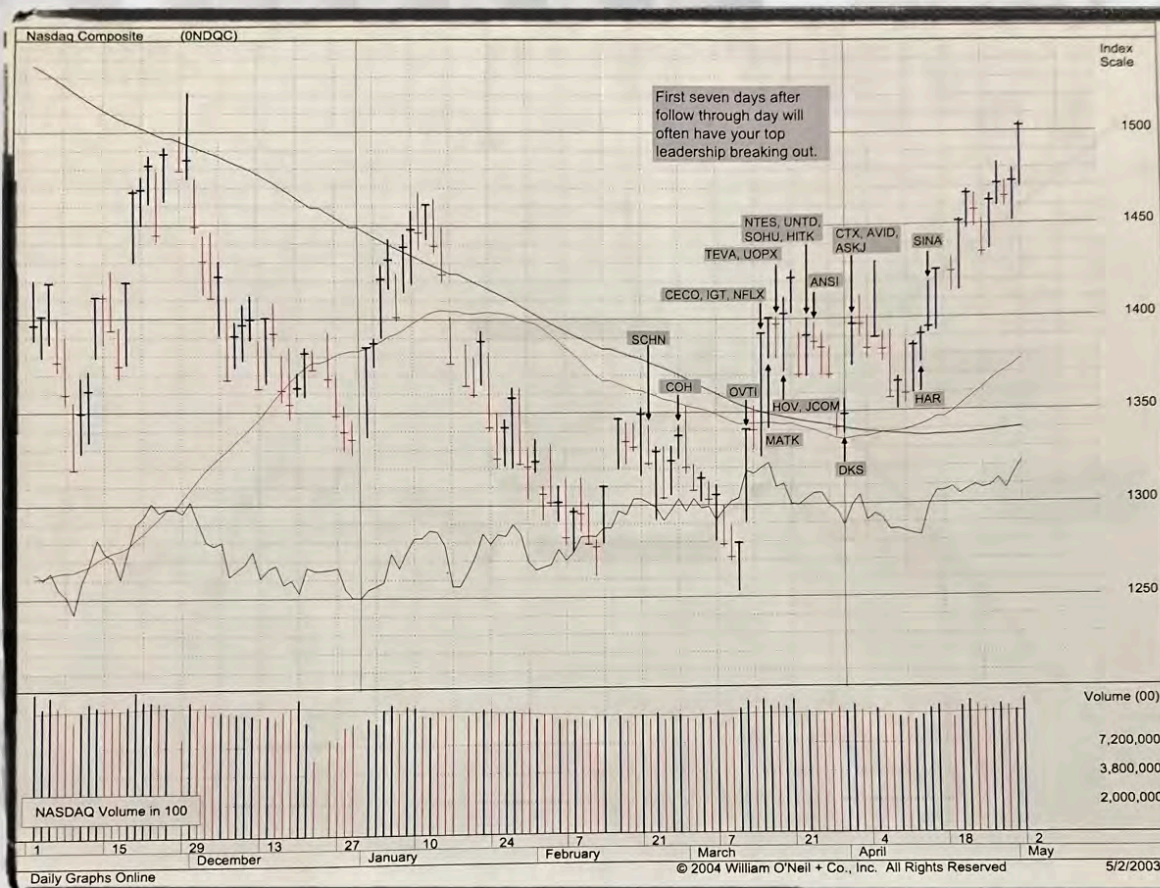


Figure 6-1 Nasdaq Composite Daily Chart, 2003

### 03/2003 - 11/2003

This was 49% gain in 8 months that produced many new leaders. After bottoming in October 2002 following the brutal bear market, the market was choppy along a bottom until March 2003. But February '03 showed net accumulation with the market still reeling. eBay was a good example of what the whole market was doing. GDP was finally starting to pick up, interest rates were near historic lows and new tax cuts were passed. Many stocks had built healthy basing patterns and when the market turned upward many blasted off on strong runs. Roppel scored big profits on many of these leading stocks.



## 2003 Leaders Breaking Out



## Leading Stocks:

**eBay:** This stock held up well during the downtrend and when the market hit bottom in October 2002 it actually broke out and O'Neil bought into it. He held it and when the March 2003 market took off he piled into it with one of his biggest positions ever. See his homework chart below.

**Coach:** This leader doubles in only 7 months as it broke out in mid-March. It didn't cut its 50-day line but consolidated several times and took off again.

**Deckers Outdoor**

**American Pharmaceutical Partners:** Another winner for Roppel.

**Netease:** This Chinese leader had a great run as other China internet stocks were also strong winners.

**Dick's Sporting Goods**

**SanDisk:** Roppel scores a quadruple return on this fast moving leader in only 6 months.

**Amazon:** Breaks out in mid-March and more than doubles in 6 months ending in a classic climax run.

**Ceradyne:** This leader breaks out and more than triples in price before topping in late 2003.

**eResearch Technologies:** This stock was one of the first ones out as it broke out (in early February) before the confirmation on the indexes. Roppel bought this one a bit later and scored a triple-digit gain on it.

**Gen-Probe:** This stock was a big winner for Roppel as he bought it and then pyramided his position seven times before selling in late September '03.

**Harman International**

**Netflix:** A huge winner rising 362% in only 10 months. Roppel had a position in this leader.

**Omnivision Technologies:** This stock was another big winner for Roppel.

**Yahoo!:** A big winner once again after a brutal decline as it rebased and became a leader during this run.

**International Game Technology**

**j2 Global Communications:** Roppel was in this leader as well.

**United Online:** Another winner that Roppel was in.

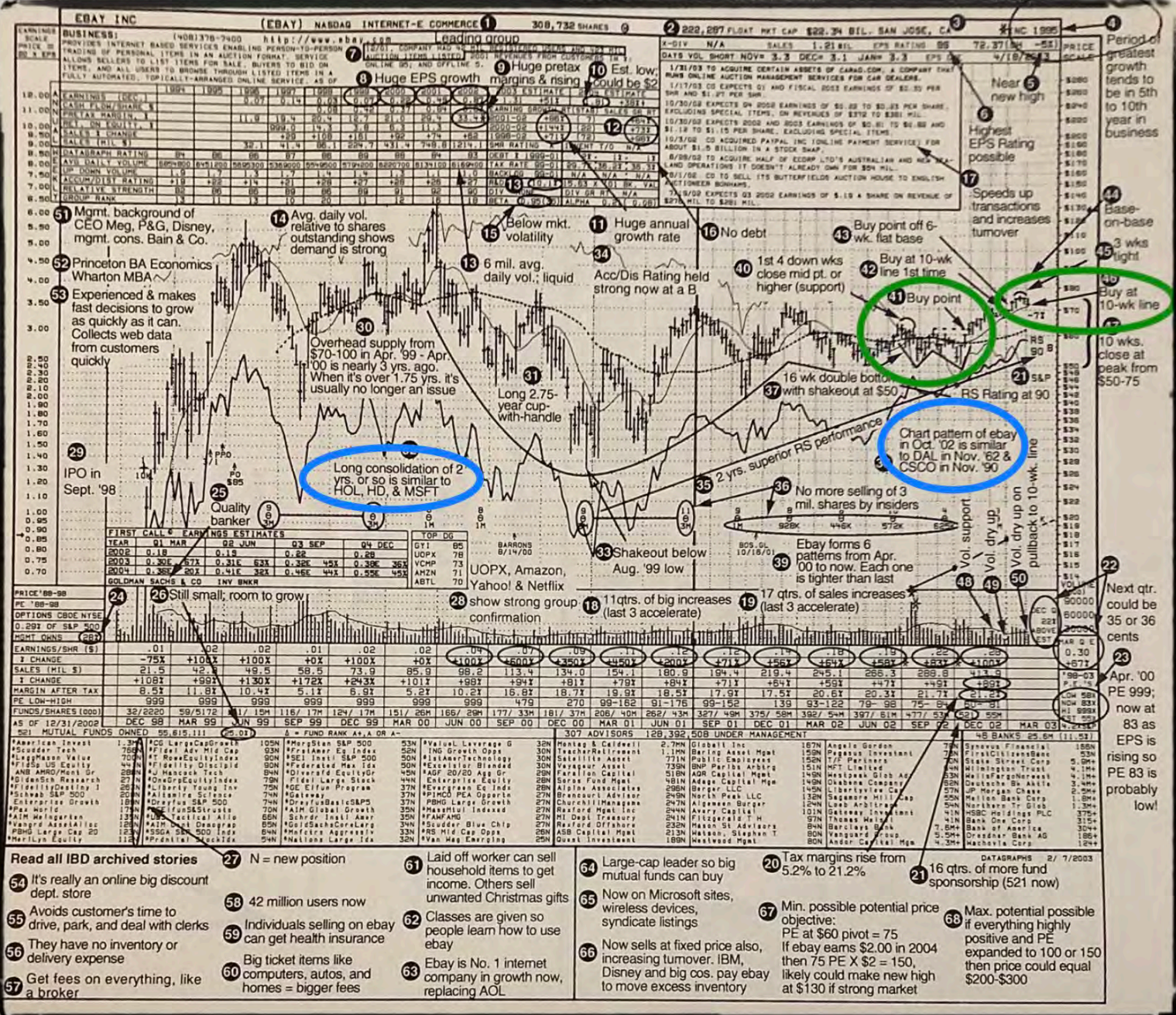
**Teva Pharmaceuticals**

**Stratasys**

**Sina:** Another Chinese leader that scores big gains during this uptrend.

**JetBlue:** This was another triple digit winner for Roppel.

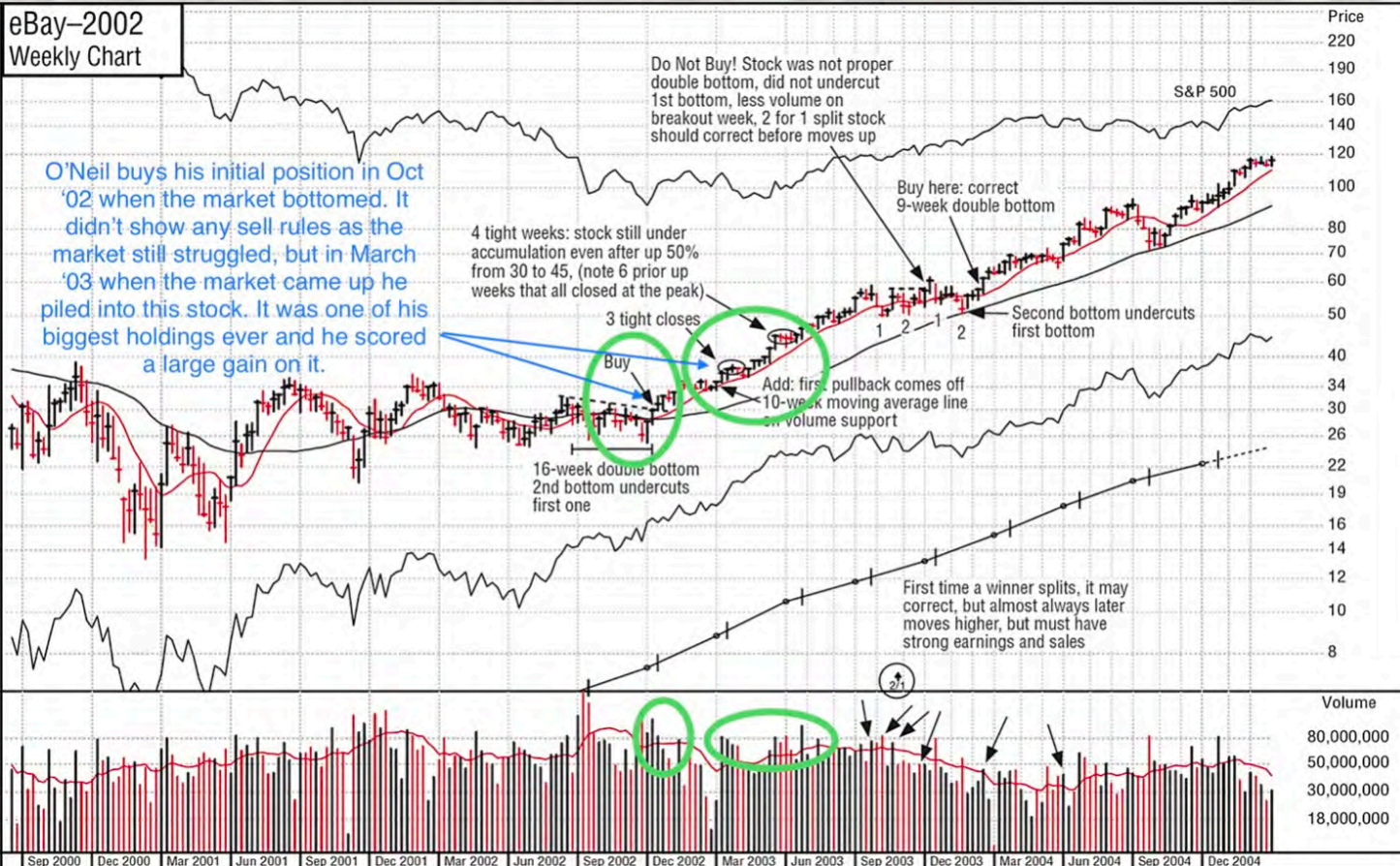




Source: Investor's Business Daily, Inc. *How To Master Charts & Manage Your Portfolio*, © 2004 by Investor's Business Daily, Inc. Used with permission.

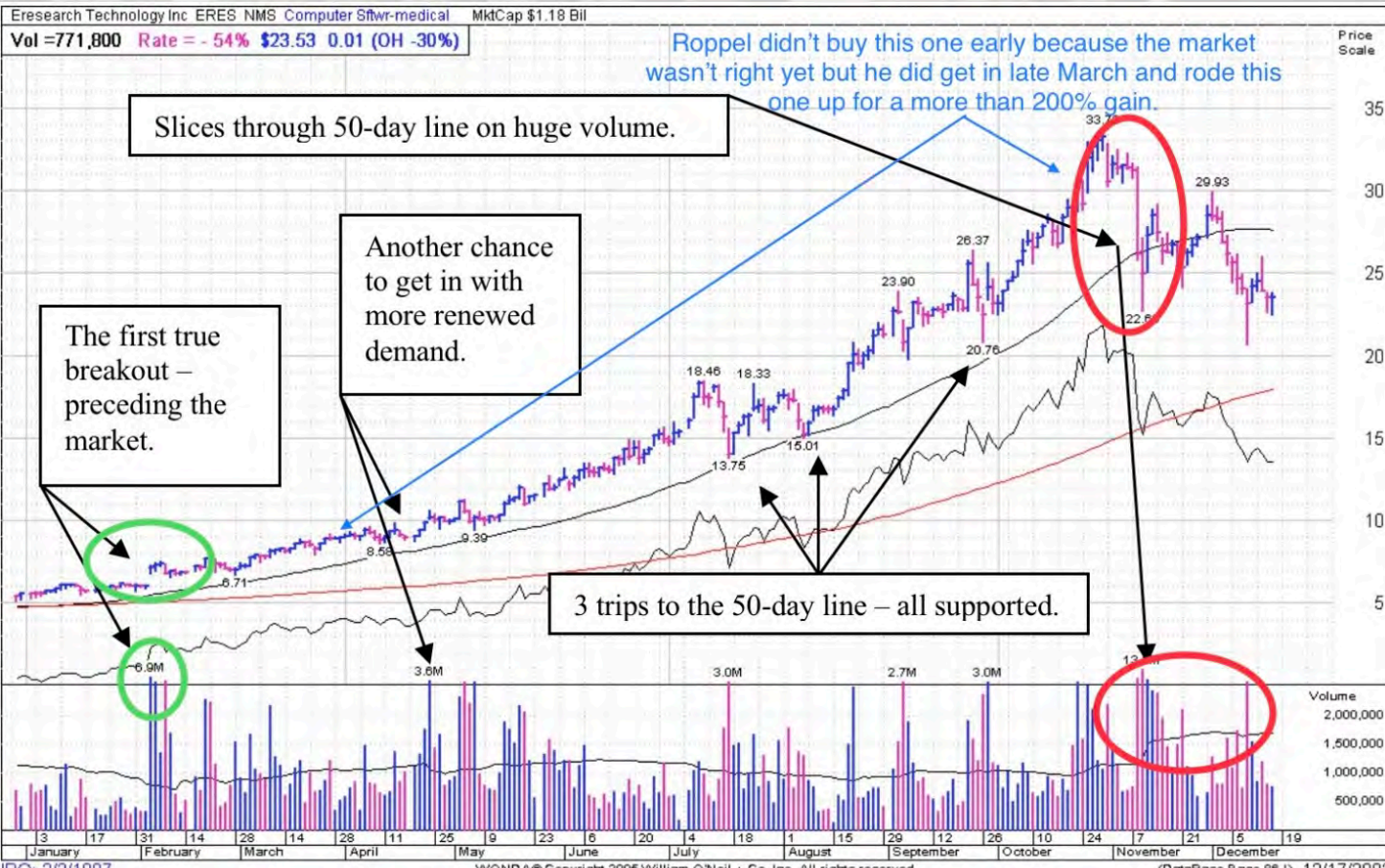


# eBay-2002 Weekly Chart



Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.

Eresearch Technology Inc. ERES NMS Computer Sftwr-medical MktCap \$1.18 Bil  
Vol = 771,800 Rate = - 54% \$23.53 0.01 (OH -30%)



IPO: 2/3/1997

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(DataBase Page 88-1) 12/17/2003

eResearch Technology 2003 Daily Chart



Vol =545,300 Rate = - 62% \$28.66 -0.34 (OH -16%)

Slices 50-day on massive volume as selling pressure picks up.

Prior uptrend and then the base.

Roppel was watching this one and he waited until the breakout and then took his initial position. He bought the stock eight more times on the way up. He then sold it all on that big break of the 50-day line on big volume.

Powerful breakout on monster volume.



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(DataBase Page 334-I) 11/17/2003

Gen-Probe 2003 Daily Chart

Vol =11,595,000 Rate = + 124% \$56.79 1.54 (OH -34%)

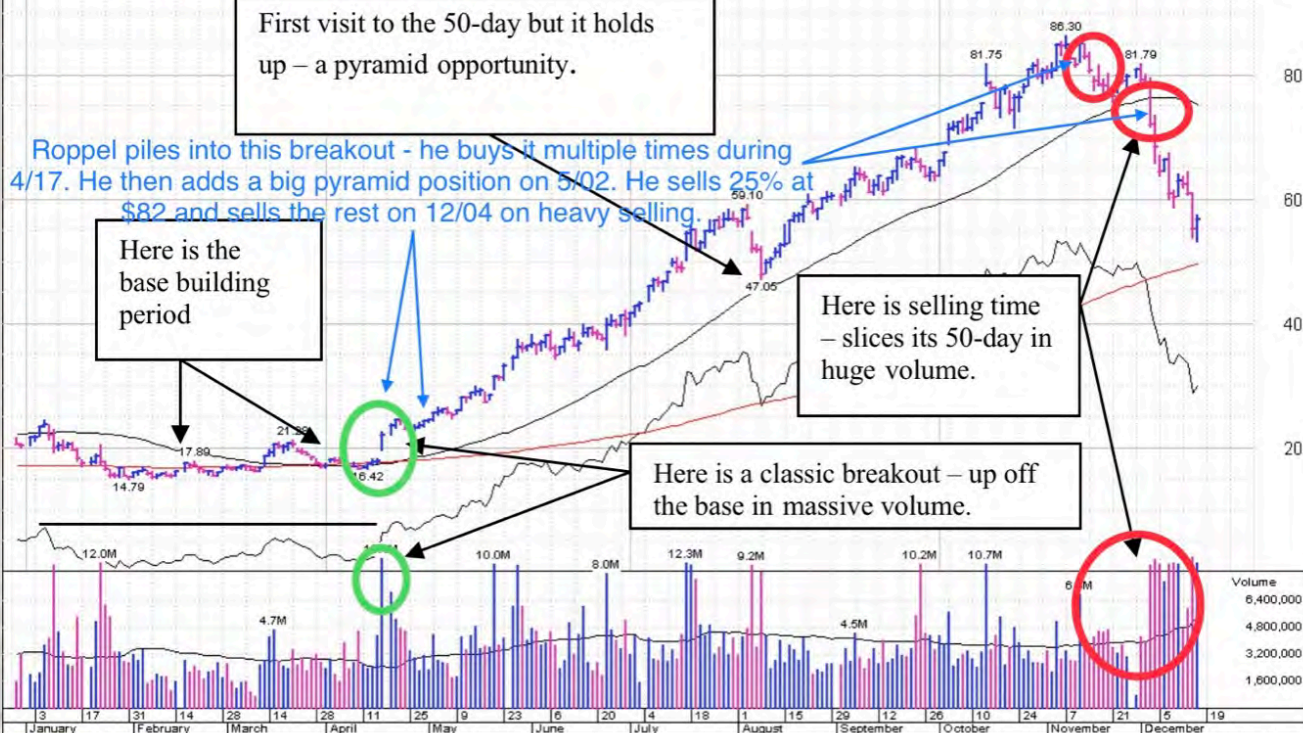
First visit to the 50-day but it holds up – a pyramid opportunity.

Roppel piles into this breakout - he buys it multiple times during 4/17. He then adds a big pyramid position on 5/02. He sells 25% at \$82 and sells the rest on 12/04 on heavy selling.

Here is the base building period

Here is selling time – slices its 50-day in huge volume.

Here is a classic breakout – up off the base in massive volume.



IPO: 11/7/1995

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(DataBase Page 147-I) 12/17/2003

Notice how this initial rise (4 mths) has more higher-volume buying power than selling pressure.

Buying power slows down even though the stock rises – then it reverses and selling takes over

SanDisk 2003 Daily Chart





Source: Investor's Business Daily, Inc. *How To Master Charts & Manage Your Portfolio*, © 2004 by Investor's Business Daily, Inc. Used with permission.

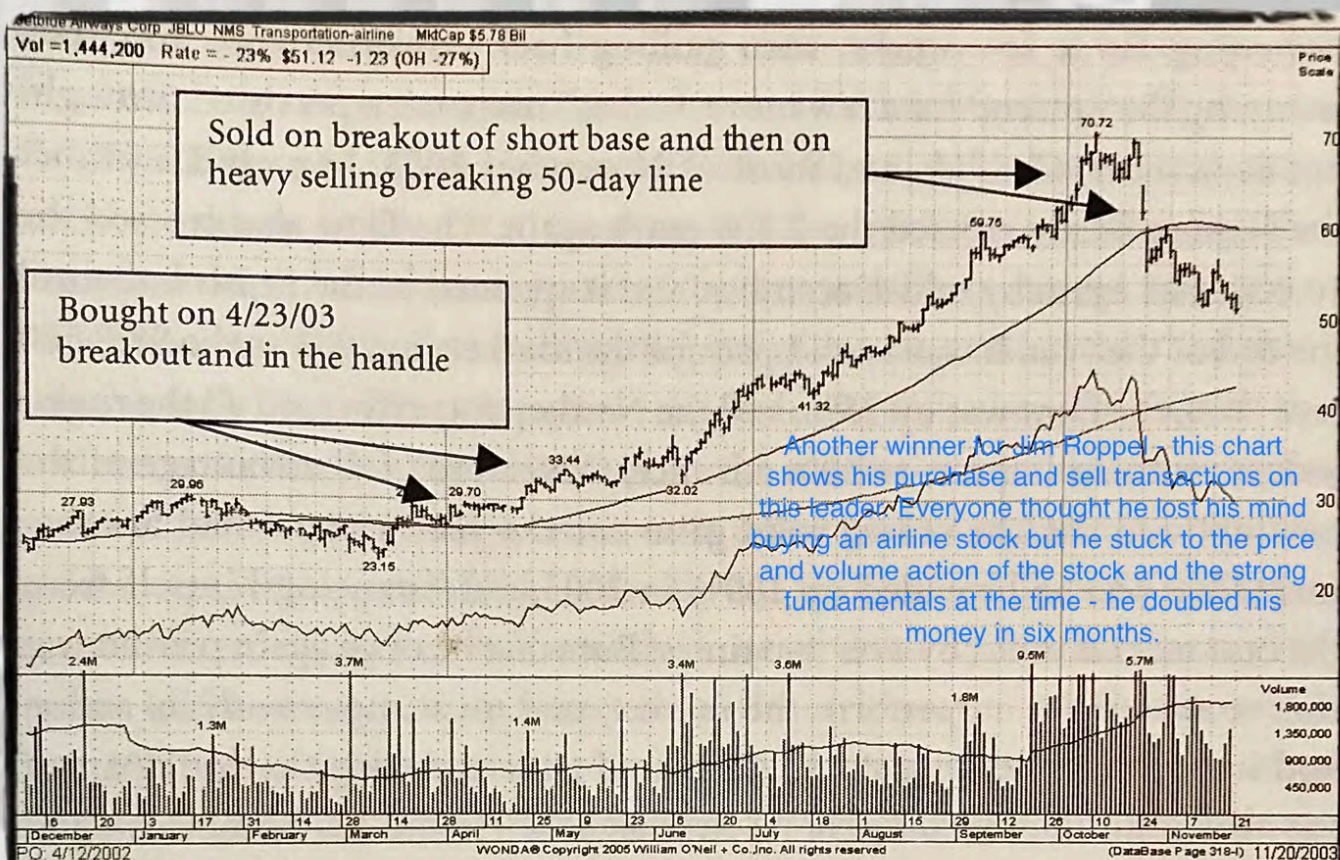


Figure 11-10 JetBlue 2003 Daily Chart.



Vol =4,152,500 Rate = - 14% \$40.59 -0.43 (OH -43%)

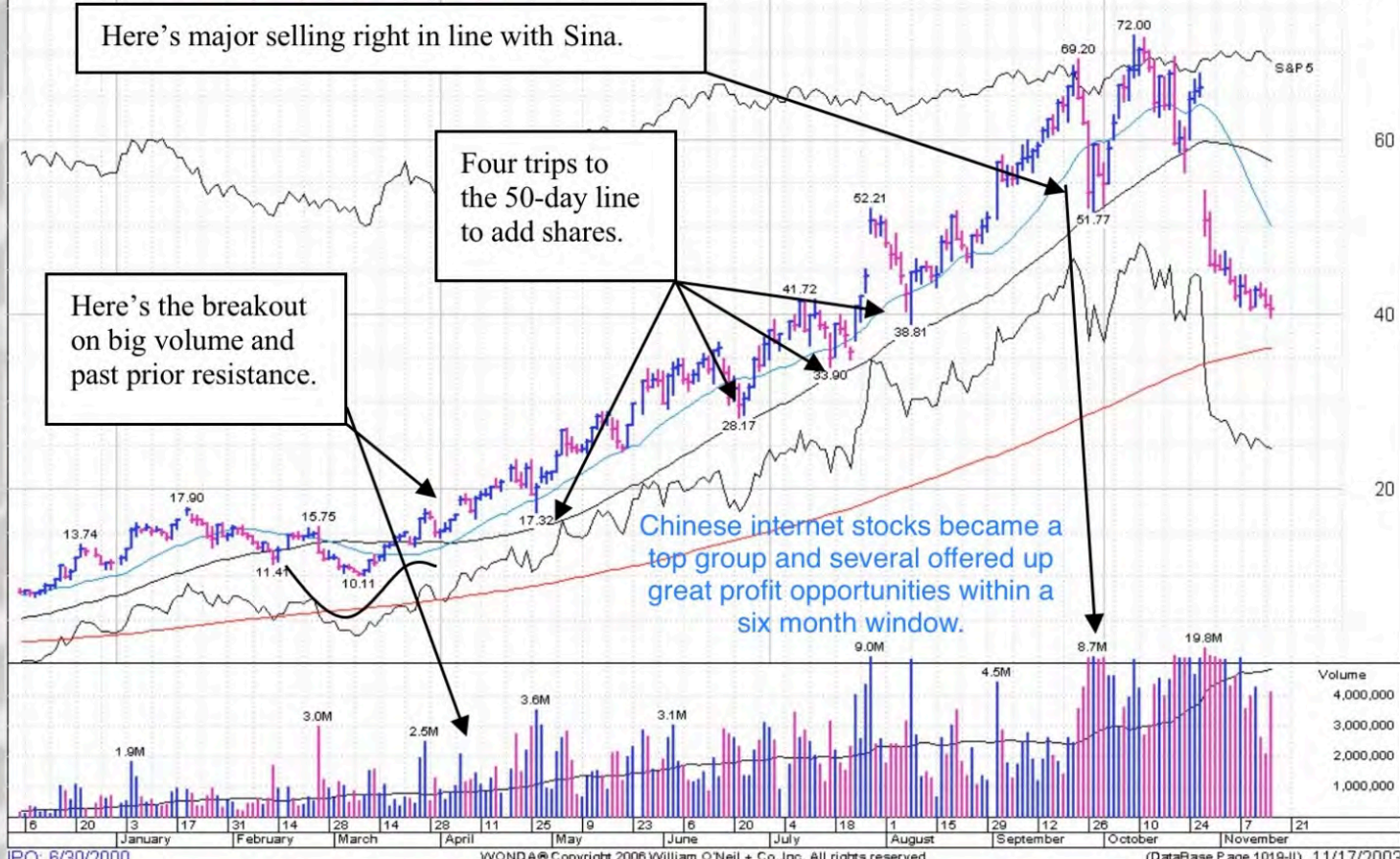
Price  
Scale

Here's major selling right in line with Sina.

Four trips to the 50-day line to add shares.

Here's the breakout on big volume and past prior resistance.

Chinese internet stocks became a top group and several offered up great profit opportunities within a six month window.



Netease.com 2003 Daily Chart

Vol =6,677,700 Rate = - 41% \$33.80 -2.23 (OH -26%)

Price  
Scale

Here's your top – slices its 21-day line in massive volume and then weakens.

Trips to the 21-day line to add more shares.

Prior uptrend and a nice base building period.

Here's the breakout



Sina Corp 2003 Daily Chart



## 2004 - 2007 Market

The market during 2004 - 2007 didn't produce many solid uptrends like we've seen before. But the market did move higher through many choppy periods marked by corrections, sideways action, and then shorter term uptrends. It did produce some very strong returns from certain leaders during many of the shorter term rallies that occurred.

### Leading Stocks:

**Taser:** This stock actually breaks out in late 2003 and goes on an incredible run in mid 2004. It was a massive run off several buy areas and ended in a classic climax run.

**Hansen Natural:** Living up to its main products name, this Monster stock gains a nearly fivefold increase from late 2005 to its top in late 2006.

**Apple:** This leader offered up several opportunities during this timeframe. Breakouts off bases and then topping action and rebases gave plenty of opportunities. Roppel scored great returns on several of those opportunities.

**Southwestern Energy:** With oil prices rising this leading stock from a leading group had a great run by more than doubling from mid-2005 to early 2006.

**Titanium Metals:** From mid-2005 to mid-2006 this leader soars fivefold and was supported by the 21-day and 50-day areas all the way into its climax run when it topped.

**Google:** A recent IPO it breaks out in mid '05 and soars - Roppel buys and sells into it several times for big gains as it runs up, rebases, and breaks out again.

**First Solar:** IPO breakout in early 2007, it soars 800% until the end of that year.

**Research In Motion:** From a breakout in late 2006 this leader quadruples by late 2007. This becomes one of Roppel's biggest winners when managing money professionally for his fund.

**Crocs:** This IPO leader breaks out in late 2006 and goes on a great run until late 2007 and then crashes on an earnings announcement.

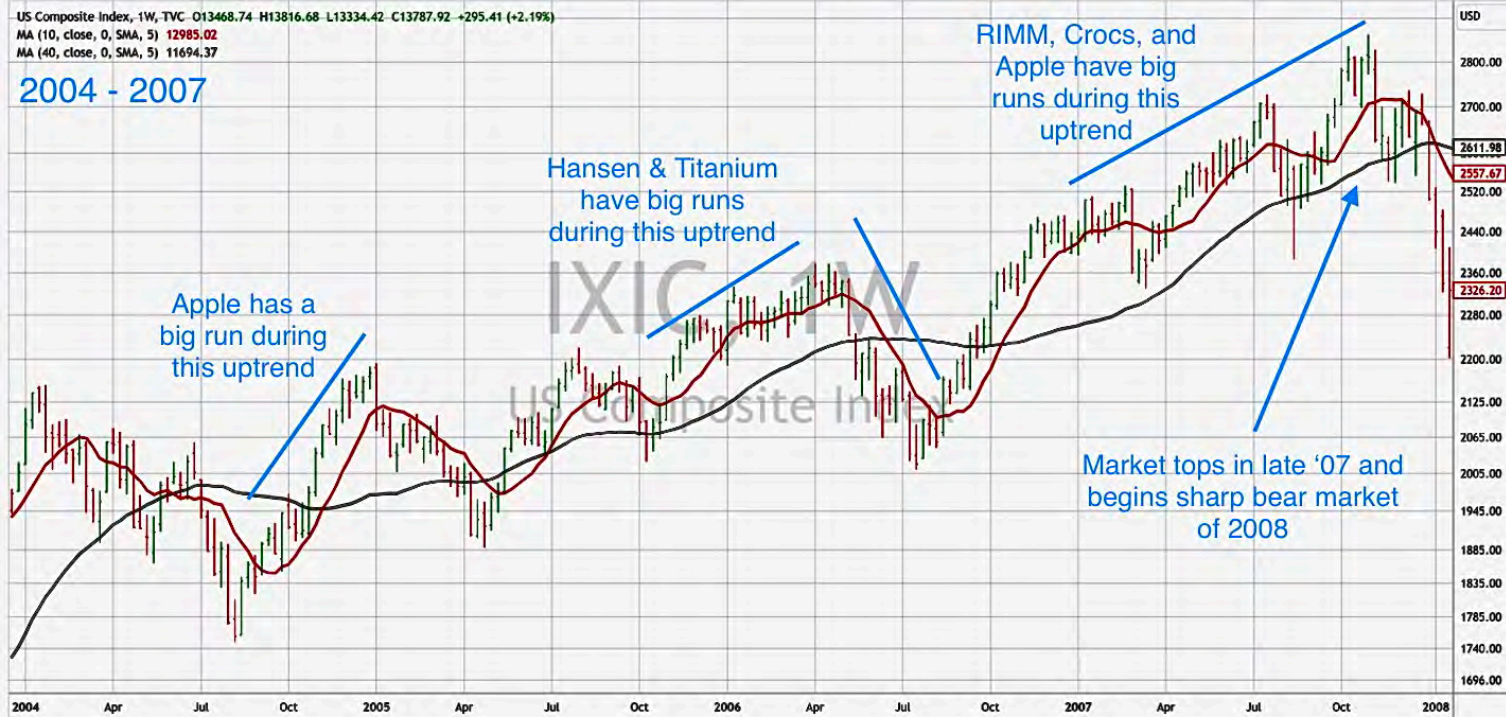


US Composite Index, 1W, TVC: O13468.74 H13816.68 L13334.42 C13787.92 +295.41 (+2.19%)

MA (10, close, 0, SMA, 5) 12985.02

MA (40, close, 0, SMA, 5) 11694.37

2004 - 2007

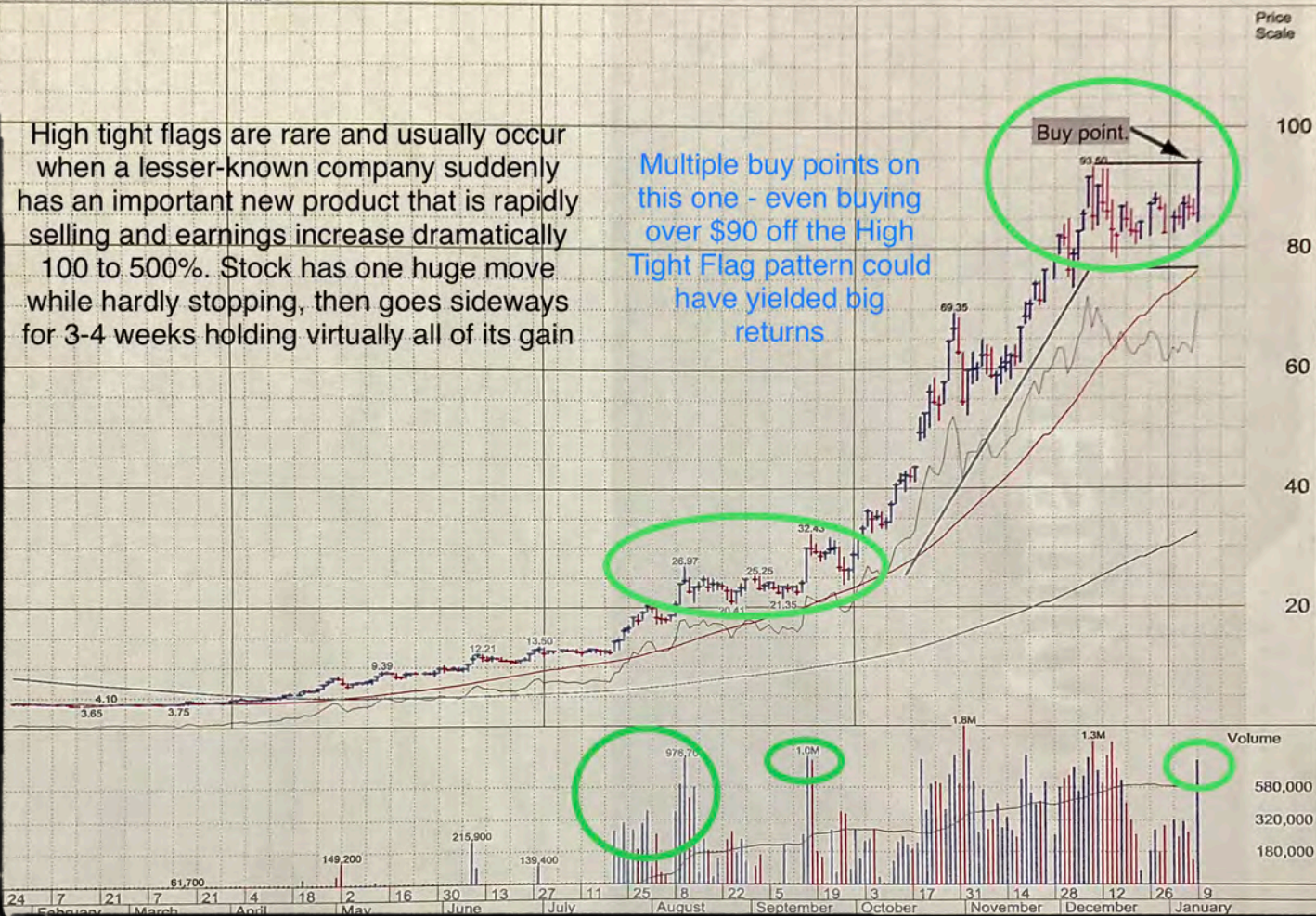


TradingView

TASER International TASR NMS

High tight flags are rare and usually occur when a lesser-known company suddenly has an important new product that is rapidly selling and earnings increase dramatically 100 to 500%. Stock has one huge move while hardly stopping, then goes sideways for 3-4 weeks holding virtually all of its gain

Multiple buy points on this one - even buying over \$90 off the High Tight Flag pattern could have yielded big returns

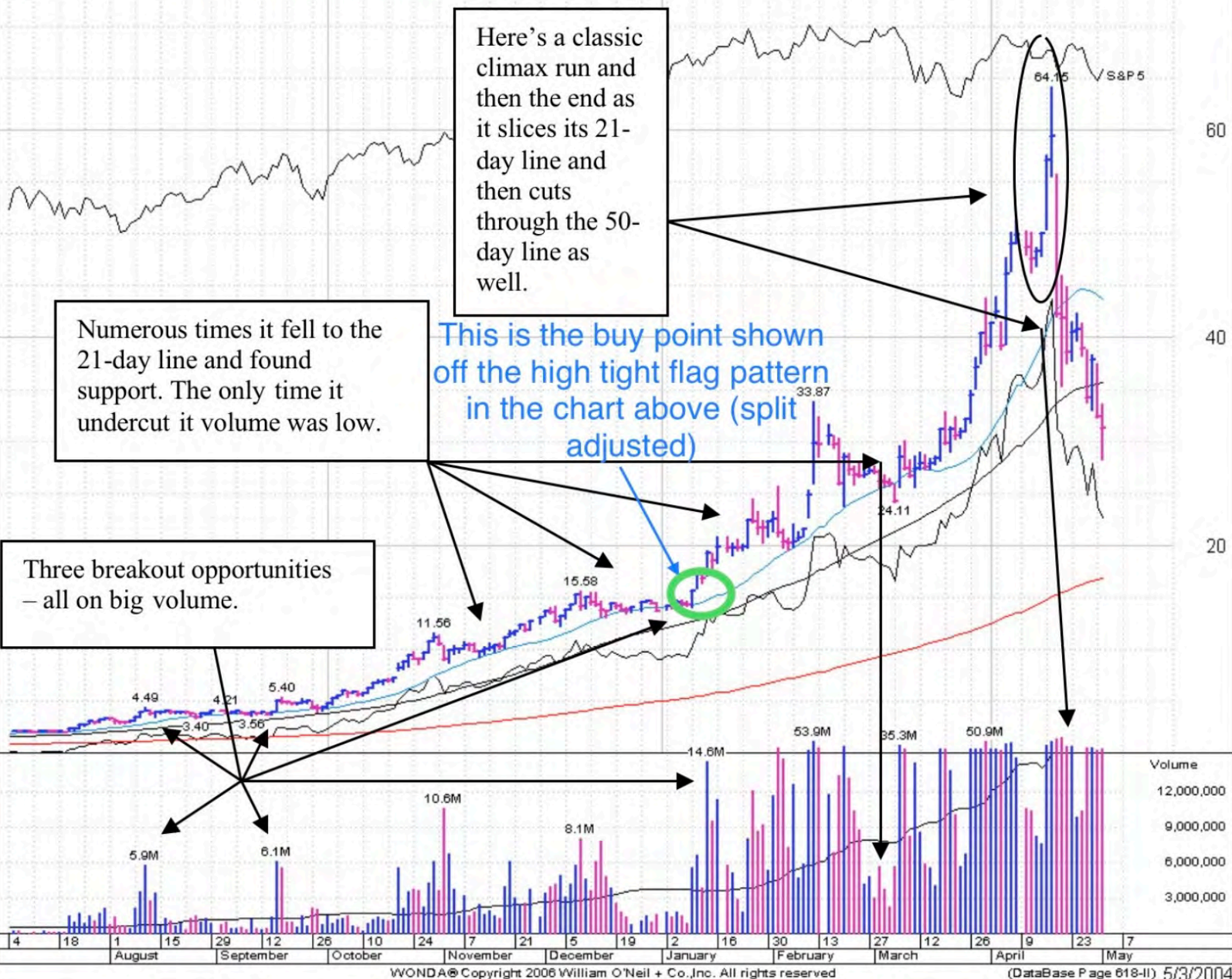


TASER International (TASR) • Daily



Vol =21,560,000 Rate = + 14% \$31.28 -1.07 (OH -51%)

Price  
Scale



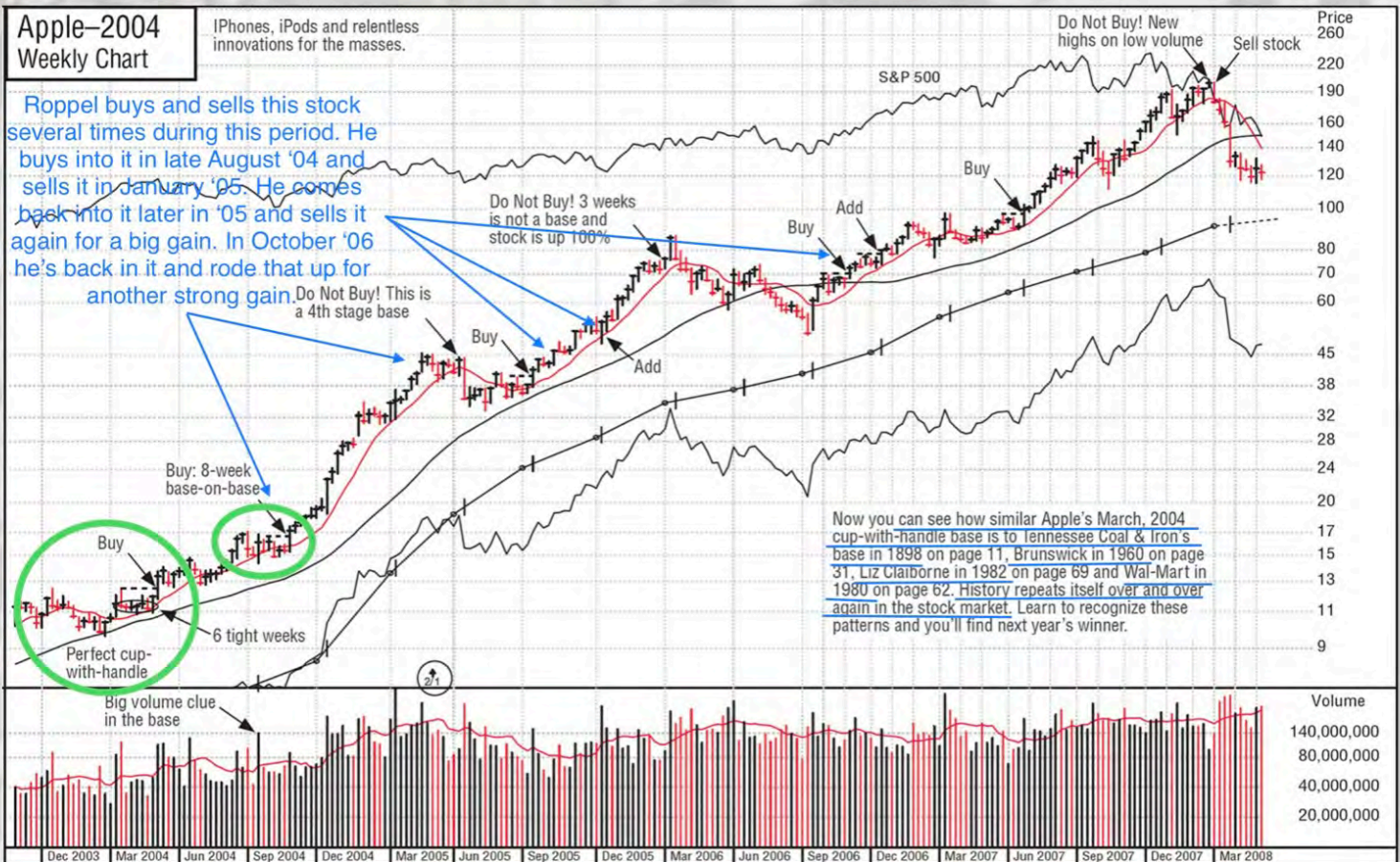
TASER 2003-2004 Daily Chart



# Apple-2004 Weekly Chart

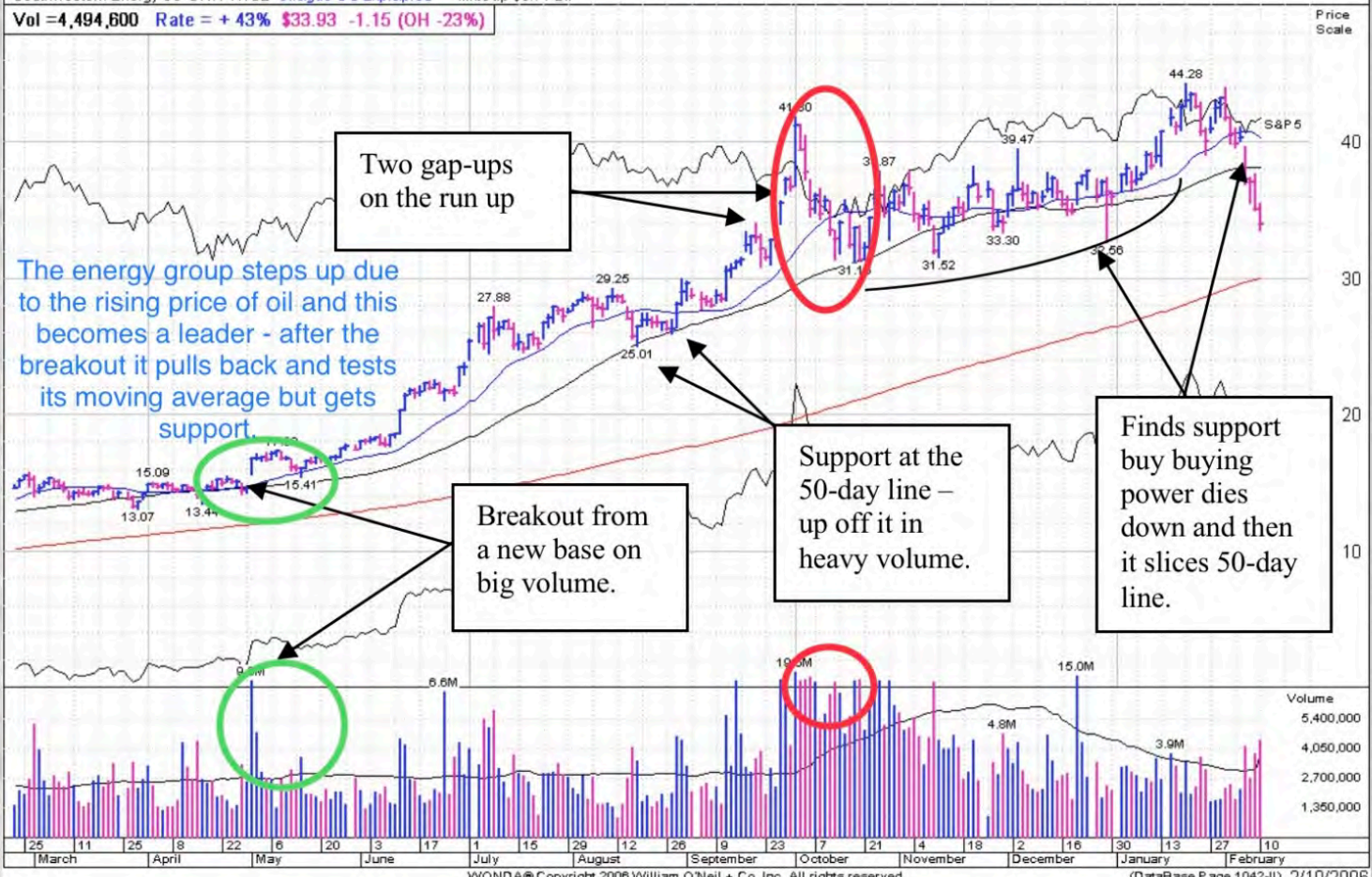
IPhones, iPods and relentless innovations for the masses.

Roppel buys and sells this stock several times during this period. He buys into it in late August '04 and sells it in January '05. He comes back into it later in '05 and sells it again for a big gain. In October '06 he's back in it and rode that up for another strong gain.



Southwestern Energy Co SWN NYSE Oil&gas-u S Expl&prod MktCap \$5.71 Bil

Vol = 4,494,600 Rate = + 43% \$33.93 -1.15 (OH -23%)



Southwestern Energy 2005-06 Daily Chart



Vol =15,285,000 Rate = - 64% \$44.77 1.70 (OH -15%)

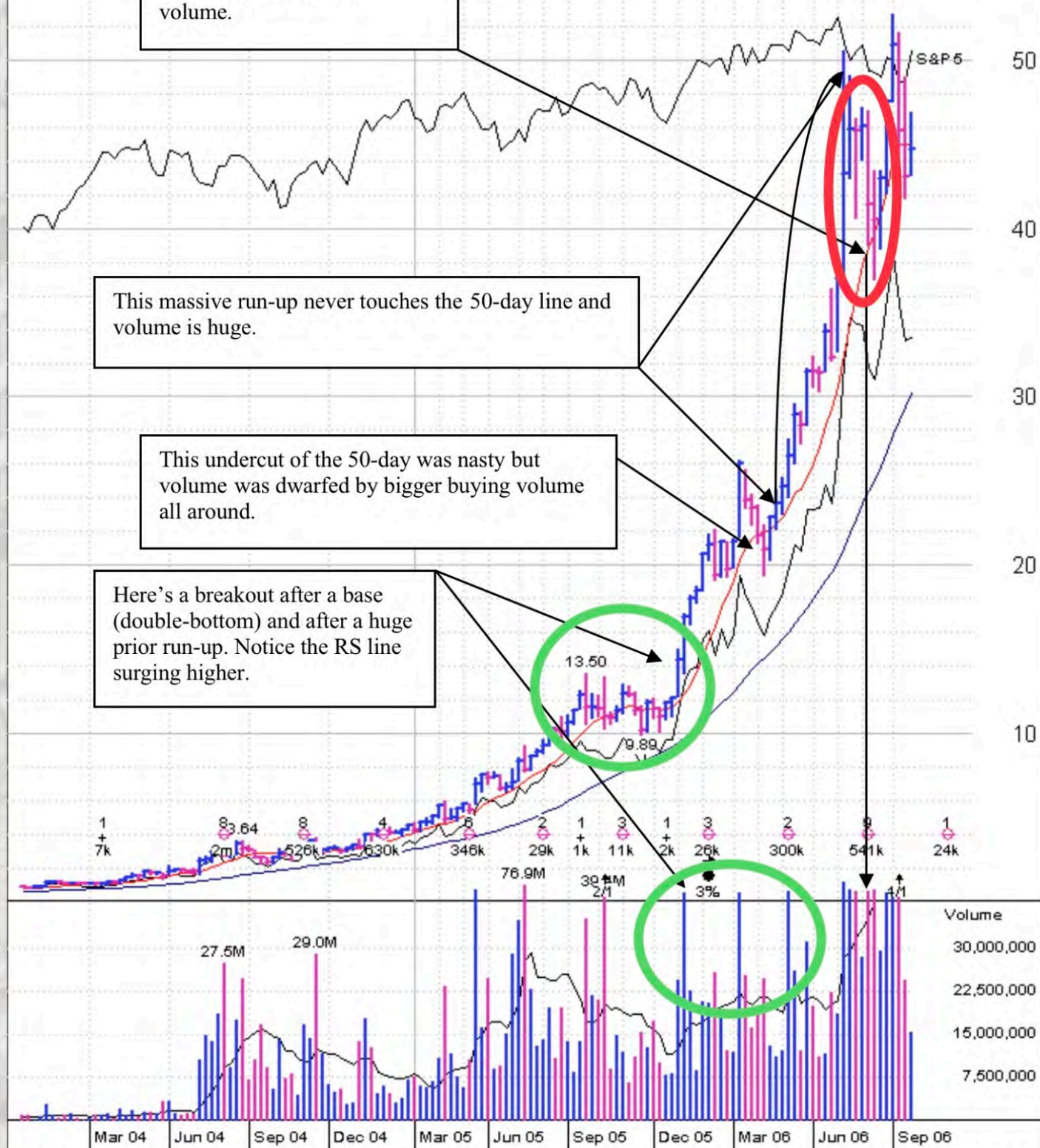
Price  
Scale

Here's the first slice through the 50-day on massive volume.

This massive run-up never touches the 50-day line and volume is huge.

This undercut of the 50-day was nasty but volume was dwarfed by bigger buying volume all around.

Here's a breakout after a base (double-bottom) and after a huge prior run-up. Notice the RS line surging higher.



IPO: 12/5/1985

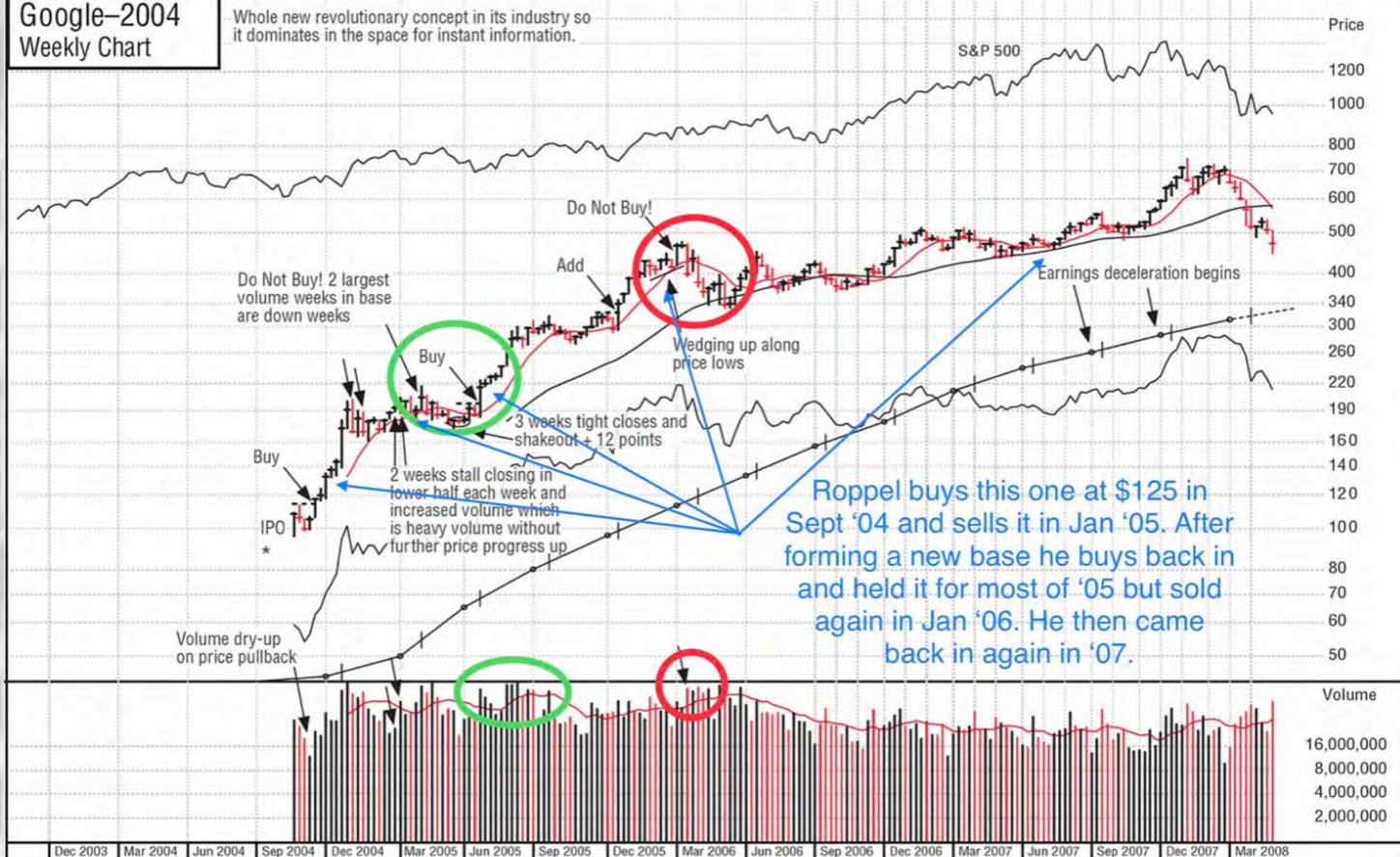
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Hansen Natural 2004-06 Weekly Chart



# Google-2004 Weekly Chart

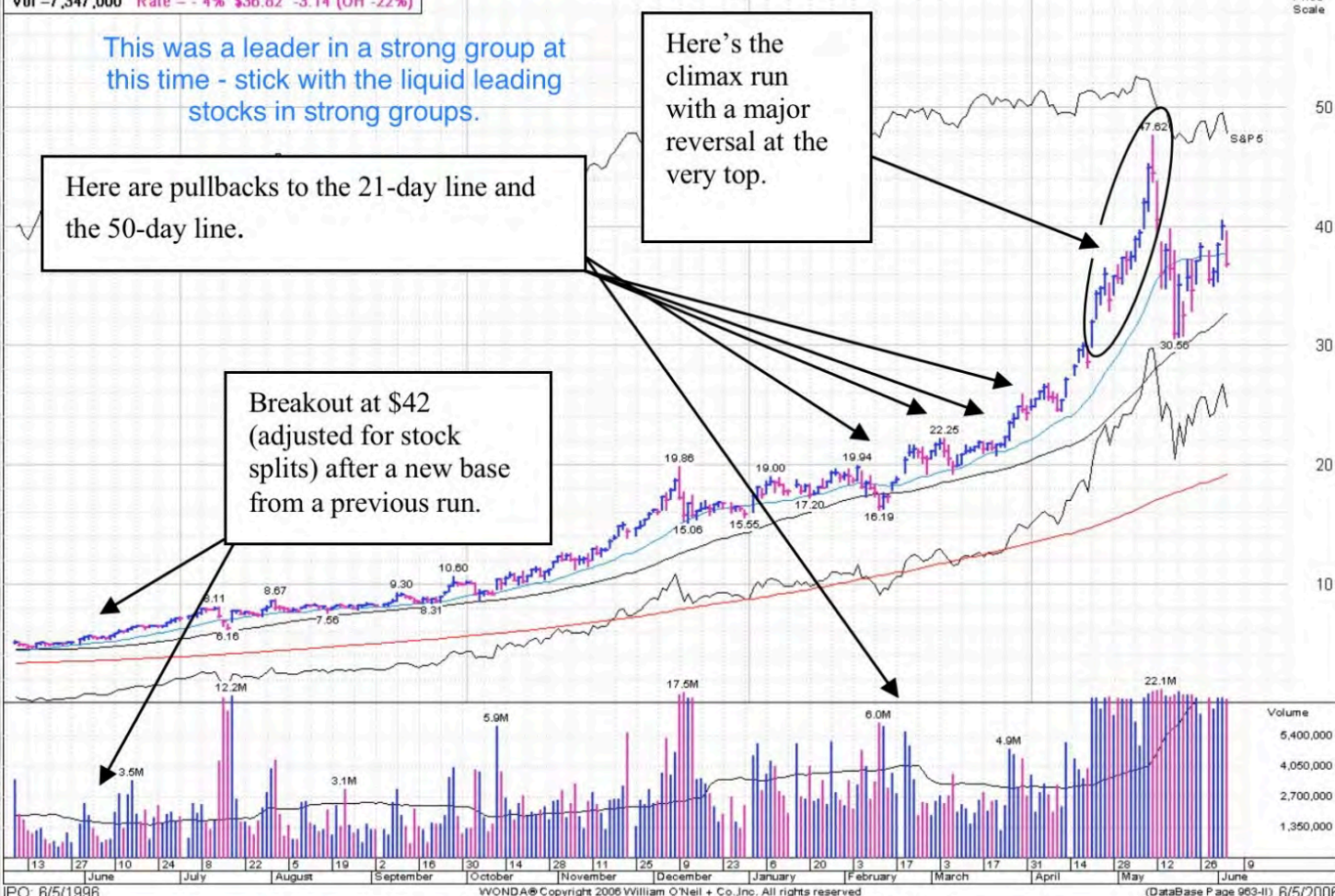
Whole new revolutionary concept in its industry so it dominates in the space for instant information.



Source: O'Neil, William J. *How To Make Money In Stocks*, William J. O'Neil, © 2009, 1988 by The McGraw-Hill Companies, John Boik. Used with permission.

Titanium Metals Corp TIE NYSE Steel-specialty Alloys MktCap \$5.93 Bil

Vol = 7,347,000 Rate = - 4% \$36.82 -3.14 (OH -22%)



IPO: 6/5/1996

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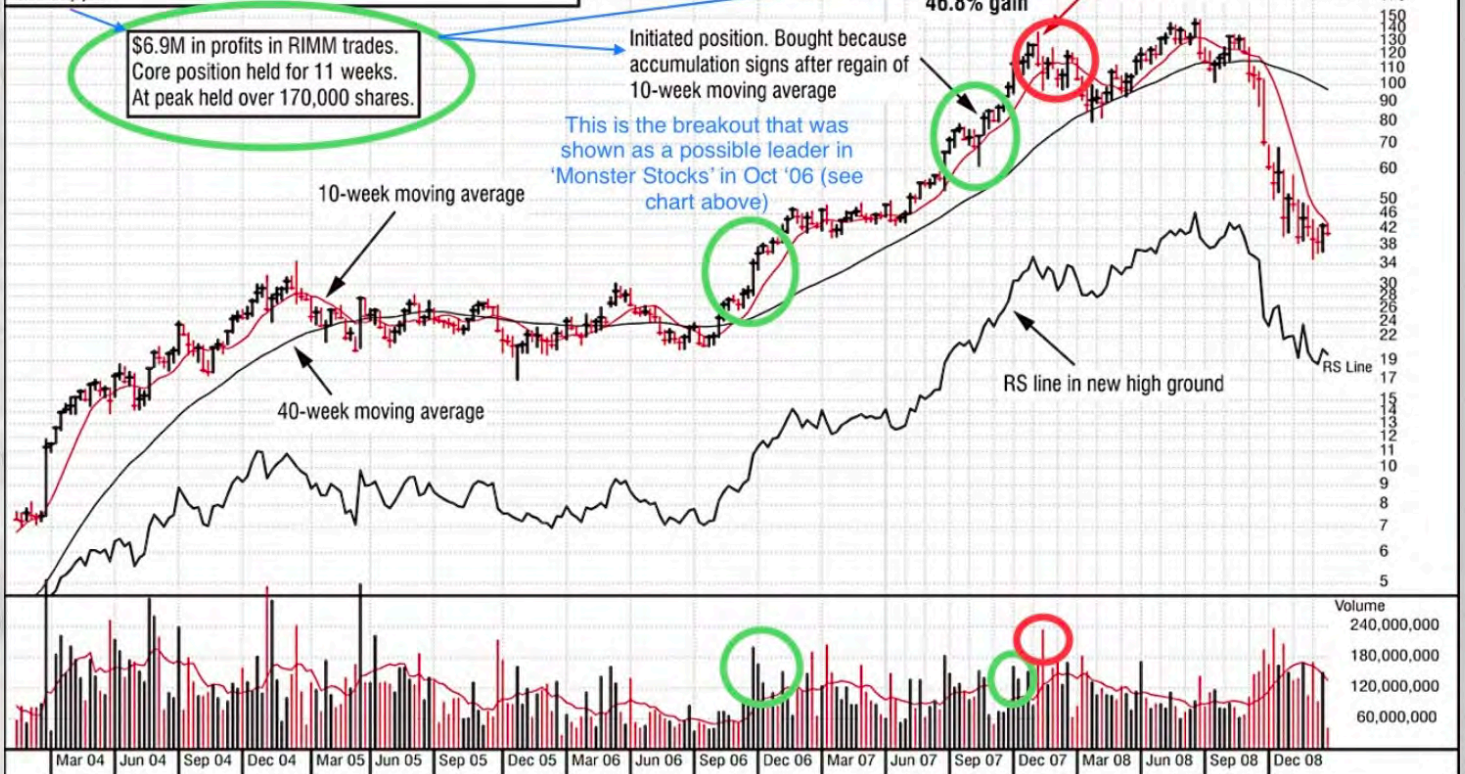
(DataBase Page 963-II) 6/5/2006

Titanium Metals 2005-2006 Daily Chart





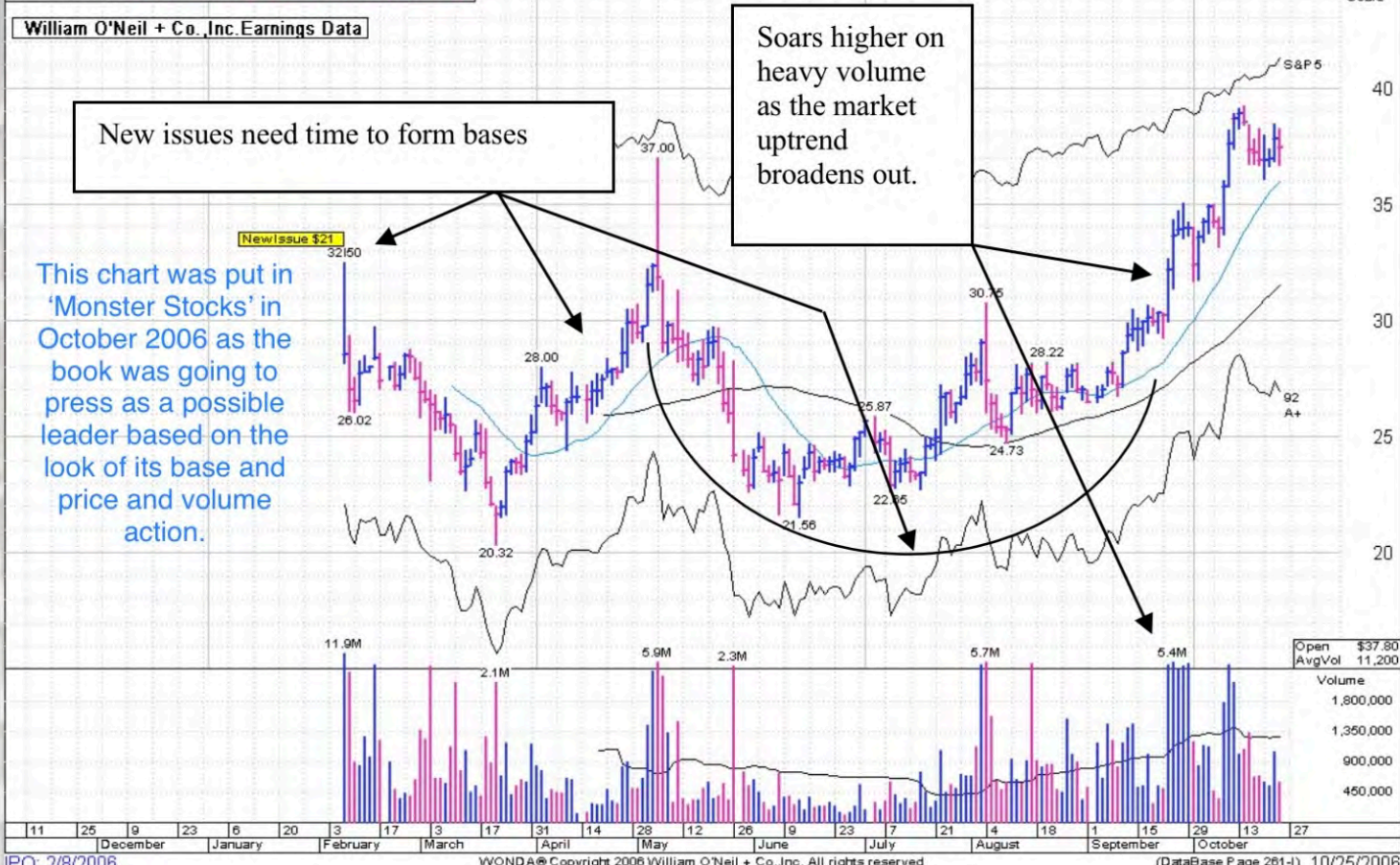
Research in Motion Ltd (RIMM)—Weekly Chart 2007–2008  
Canadian manufacturer of Blackberry handheld devices for the mobile communications market  
Jim Roppel





Vol =613,400 Rate = - 52% \$37.41 -0.38 (OH -4%)

William O'Neil + Co., Inc. Earnings Data



Crocs 2006 Daily Chart

Crocs Inc (CROX)—Weekly Chart 2006–2008  
Manufactures men's, women's, and children's footwear made with proprietary resin material called croslite  
Kier McDonough

When writing 'Monster Stocks' in (October 2006) this was shown (see chart above) as what a possible Monster Stock looks like in the making. Kier McDonough buys it off the breakout and sells it after hours on 10/31 on a bad earnings miss.



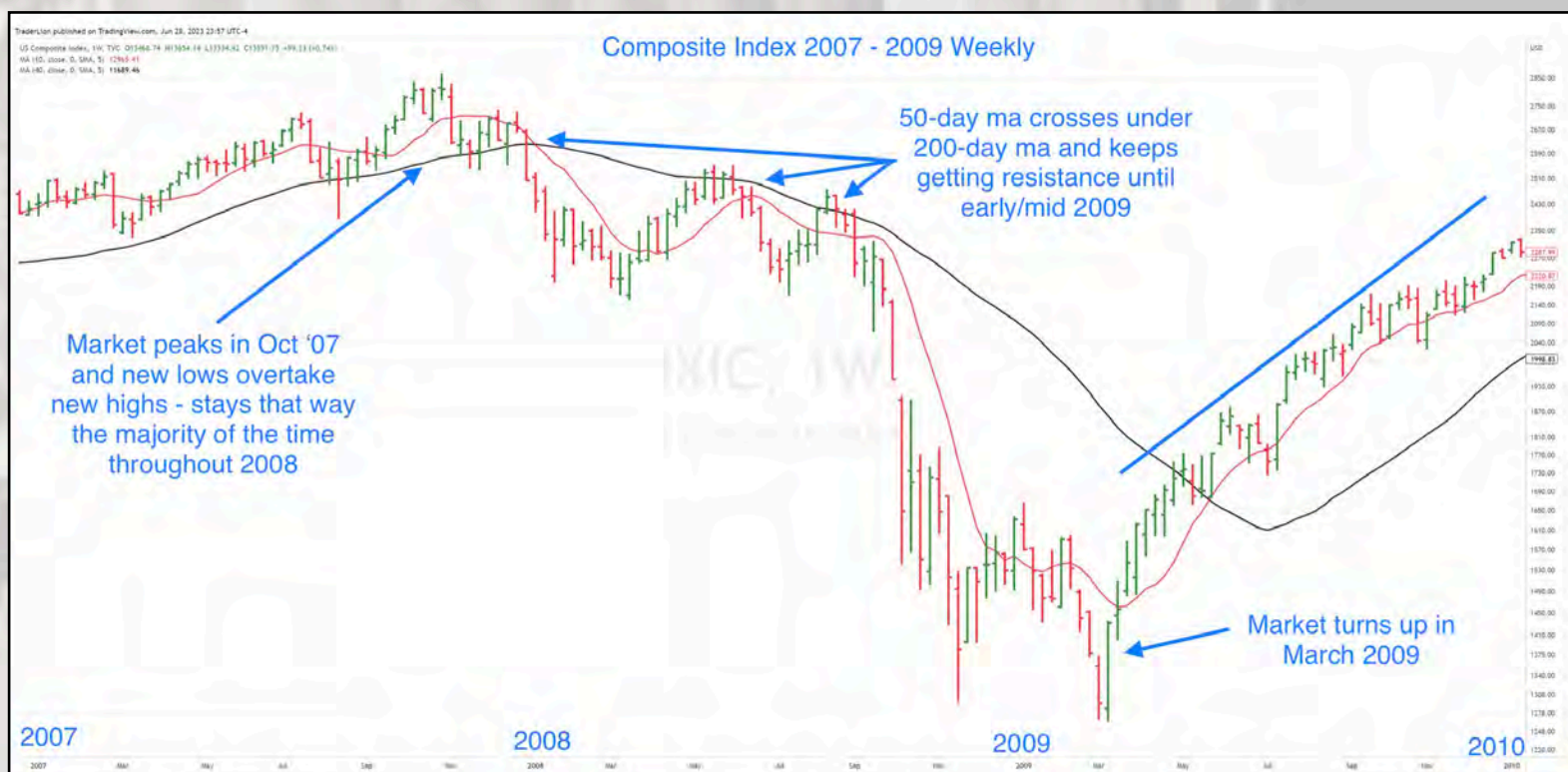


## 10/2007 - 03/2009

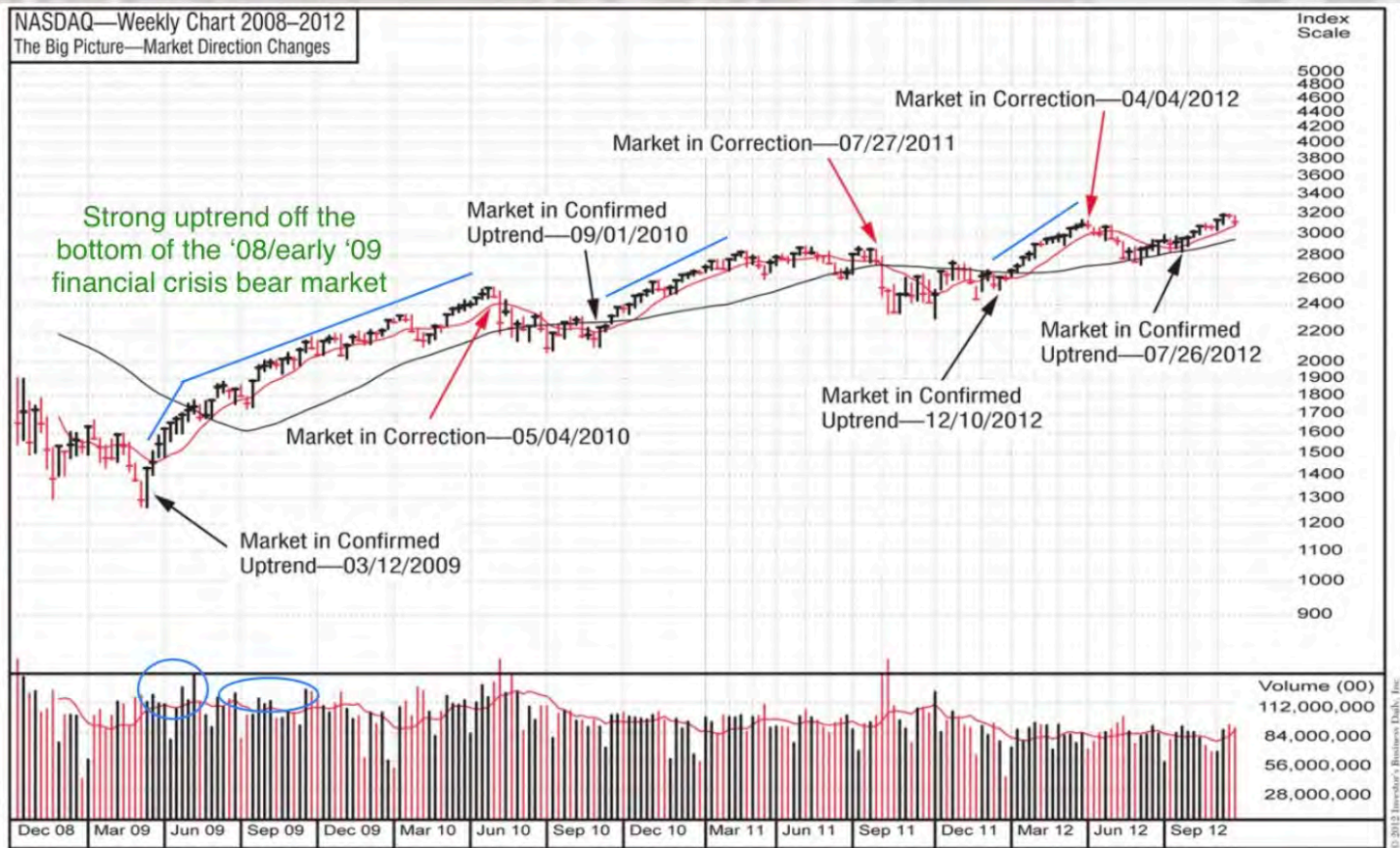
In early October 2007 the indexes kept rising but on lower volume levels. They would hit their peak at that point. Rumblings of financial concerns relating to the housing market and a credit crunch were rising even though the Fed cut rates in August and September '07 in response to many concerns. By December '07 all the indexes were trading under key moving averages and rallies up were met with resistance. January '08 was a bad market month as more credit issues surfaced worldwide. By the summer of '08 banks started to fail and oil prices were rising fast. September '08 was when government mortgage lenders had to be rescued by the government, Lehman Brothers collapses, and the market falls hard. On September 29th the Dow falls 777 points, which was the largest point drop in history up to that point. On October 9th the Dow falls to a five year low. The next day the Dow drops another 8% to start the trading day. Whipsaw trading continues with strong bear market rallies followed by strong resistance retreats. November was a brutal month as more financial institutions failed or had to be bailed out and the market responded by falling almost straight down. Rallies up along with choppy trading lasted from late November '08 until February '09 as the Fed cuts rates to near zero and the US economy slowed to its fastest pace in 26 years.

The market hit bottom in early March '09 after plunging 57% from its peak in late 2007. On March 12th, IBD signaled a change by upgrading its market call to Confirmed Uptrend. By late March '09 the indexes are rising on stronger volume and were finally over key moving averages and then began to be used as support levels as opposed to resistance.

"The Great Recession" from the financial crisis of 2007-2009 was a brutal bear market that affected many but then led to a recovery phase into 2010.







Source: Smith, Amy. *How To Make Money In Stocks Success Stories*, © 2013 by The McGraw-Hill Companies, Inc. All rights reserved.

### 03/2009 - 04/2010

Coming up off the bottom of the brutal financial crisis “Great Recession” bear market, the market confirmed an uptrend in March ‘09 and soared 95% into late April 2010. The Fed had been lowering interest rates to zero and began a massive QE program as well to provide liquidity to the financial markets. Other uptrends over the next several years were not as strong as the late ‘09 to early ‘10 gains.

#### Leading Stocks:

**Advanced Micro Devices:** Big leader in 2009 with a 342% gain.

**Seagate Technology:** 302% return in 2009.

**Micron Technology:** 298% return in 2009 alone.

**Fuji International:** Breaks out and triples into a climax run in 5 months.

**Netflix:** Another strong run for this leader.

**CarMax:** This one more than triples just in 2009.

**Pioneer Natural Resources:** 195% gain in 2009.

**Baidu:** Roppel’s biggest winner and a classic to study.

**ON Semiconductor:** Gains 157% just in 2009.

**Apple Computer:** Another big run for this prior leader.

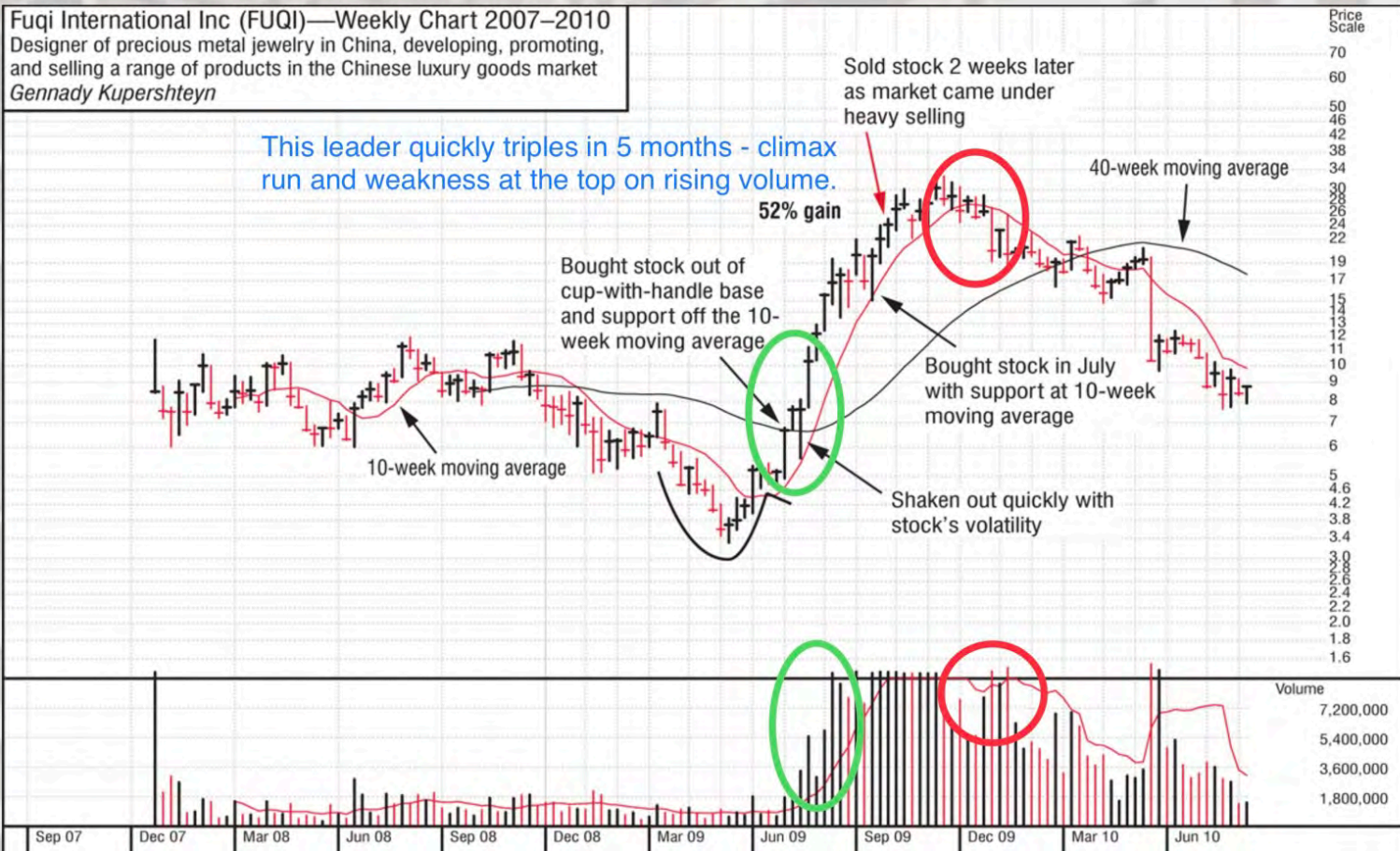
**Teradyne:** Soars 154% in 2009.

**Chipotle Mexican Grill:** Doubles in 9 months, rebases, and takes off again.

**NetApp:** 145% return in 2009 alone.

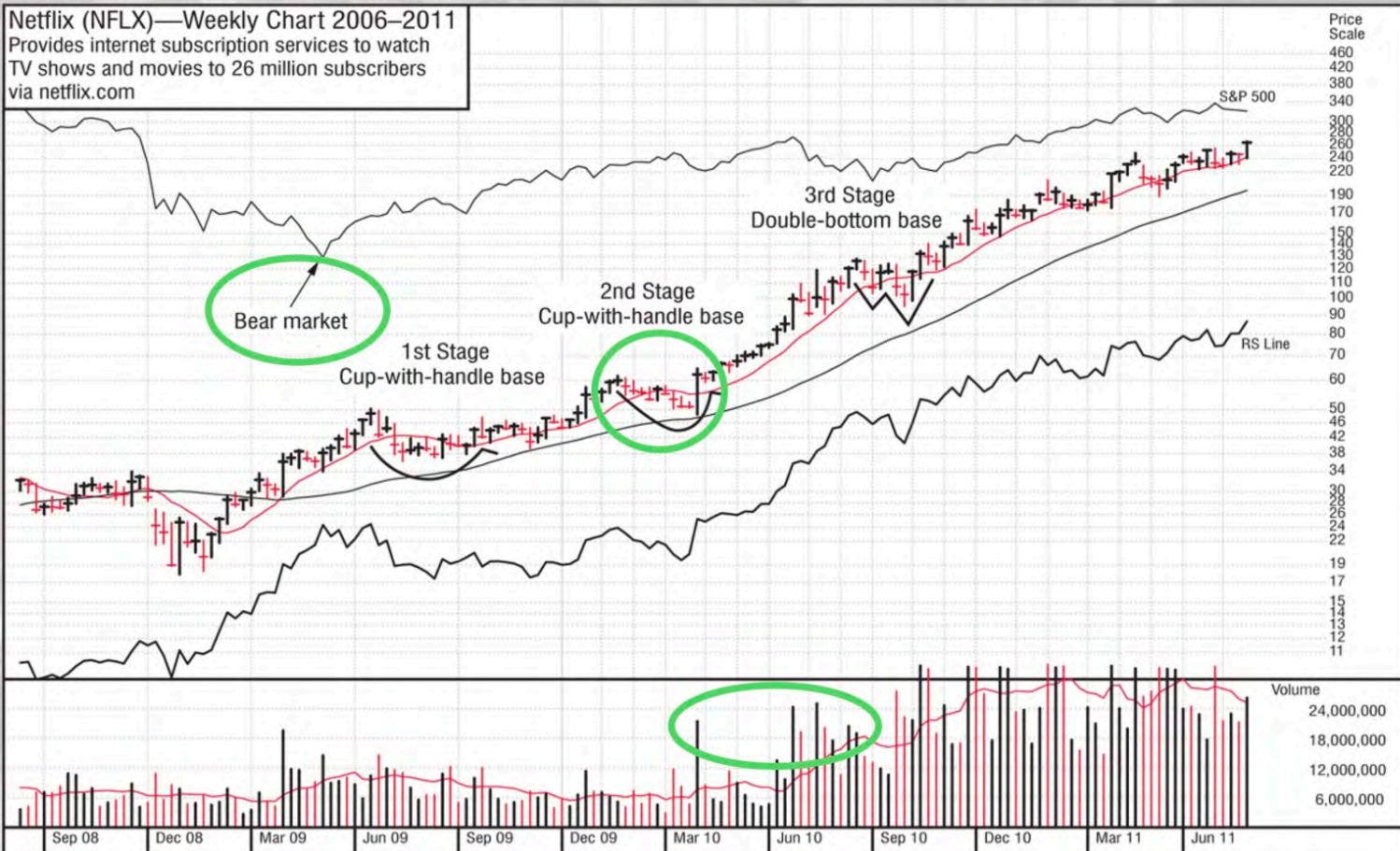


**Fuqi International Inc (FUQI)—Weekly Chart 2007–2010**  
 Designer of precious metal jewelry in China, developing, promoting, and selling a range of products in the Chinese luxury goods market  
*Gennady Kupershteyn*



Source: Smith, Amy. *How To Make Money In Stocks Success Stories*, © 2013 by The McGraw-Hill Companies, Inc. All rights reserved.

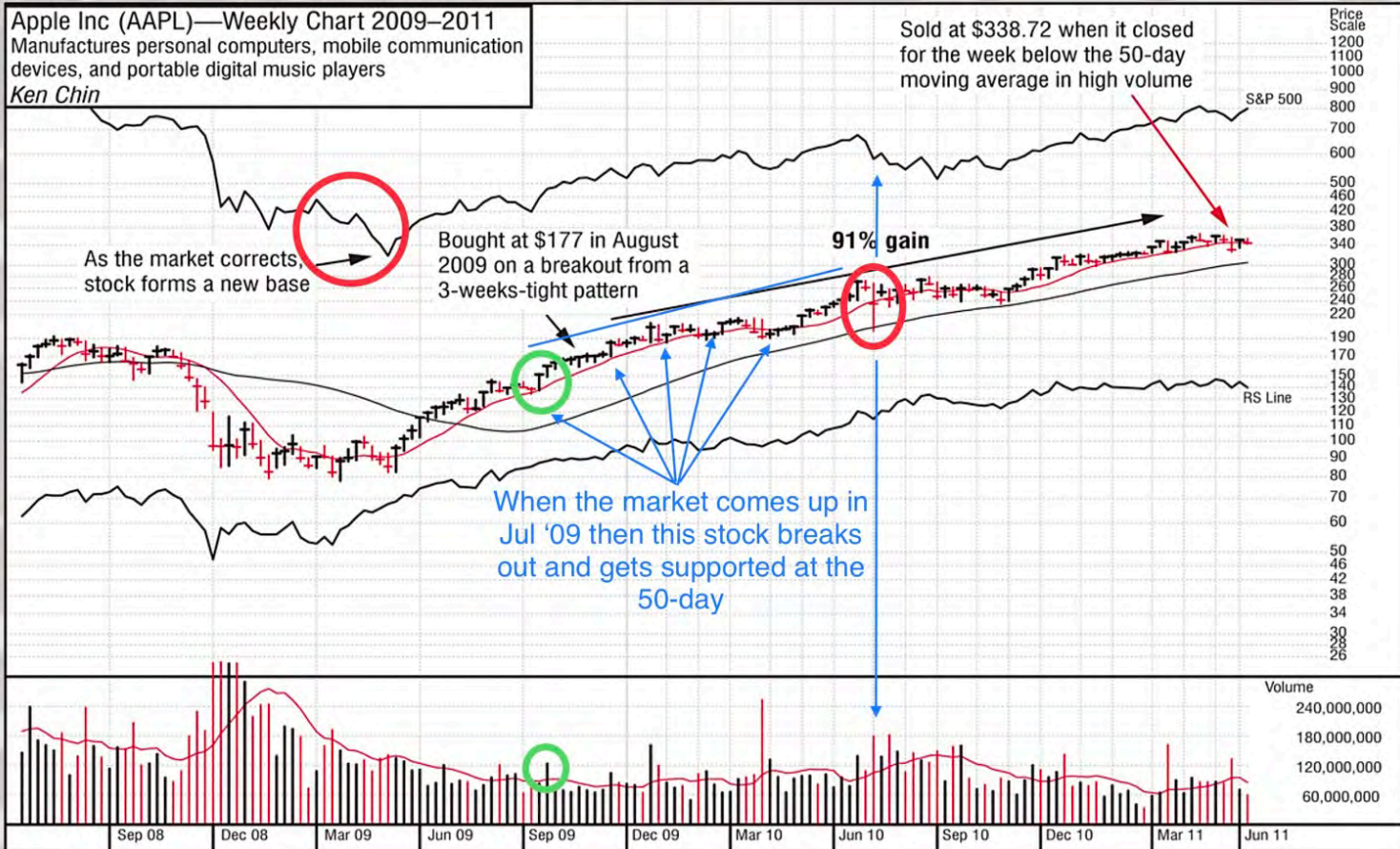
**Netflix (NFLX)—Weekly Chart 2006–2011**  
 Provides internet subscription services to watch TV shows and movies to 26 million subscribers via netflix.com



Source: Smith, Amy. *How To Make Money In Stocks Success Stories*, © 2013 by The McGraw-Hill Companies, Inc. All rights reserved.

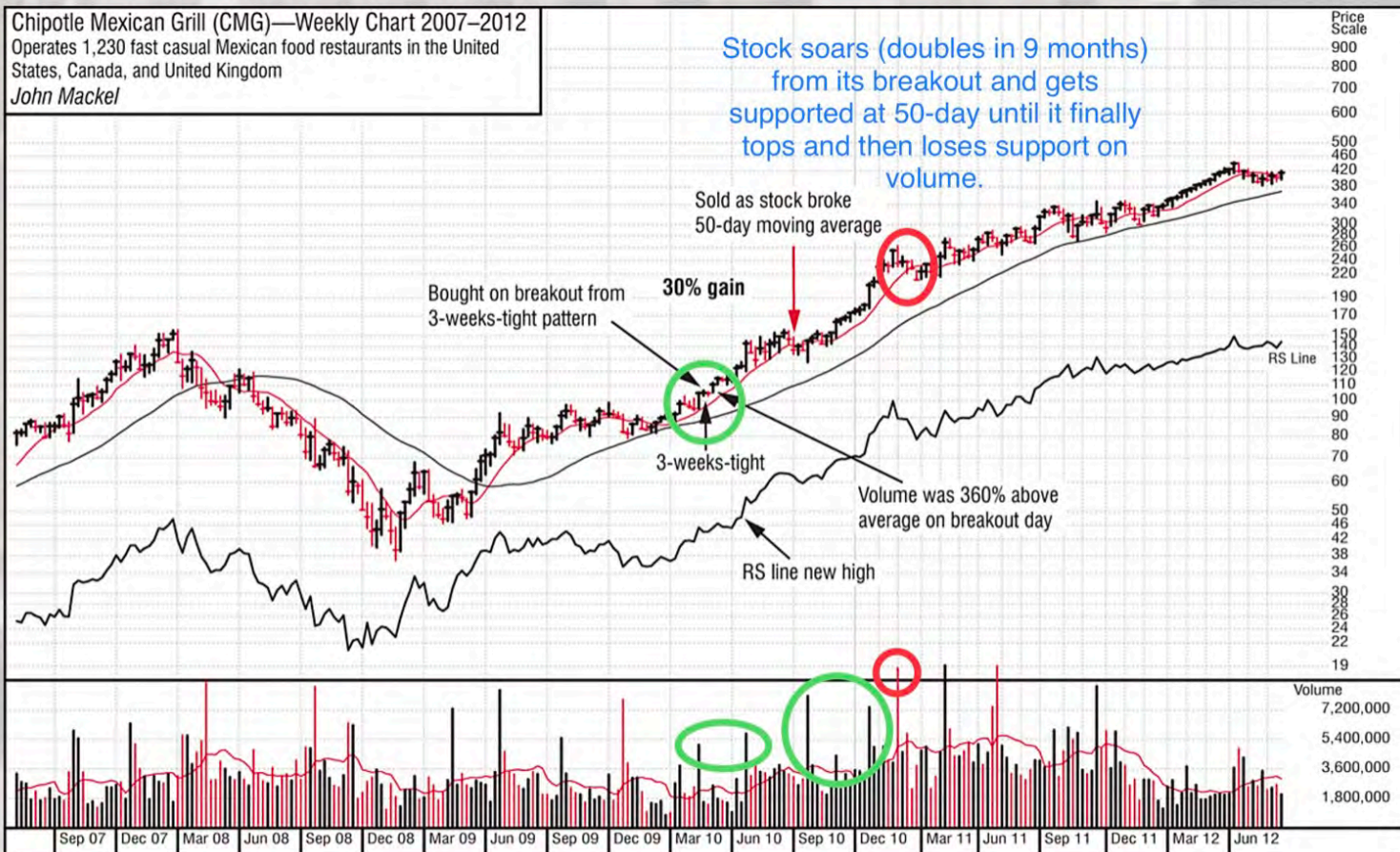


**Apple Inc (AAPL)—Weekly Chart 2009–2011**  
Manufactures personal computers, mobile communication devices, and portable digital music players  
*Ken Chin*



Source: Smith, Amy. *How To Make Money In Stocks Success Stories*, © 2013 by The McGraw-Hill Companies, Inc. All rights reserved.

**Chipotle Mexican Grill (CMG)—Weekly Chart 2007–2012**  
Operates 1,230 fast casual Mexican food restaurants in the United States, Canada, and United Kingdom  
*John Mackel*

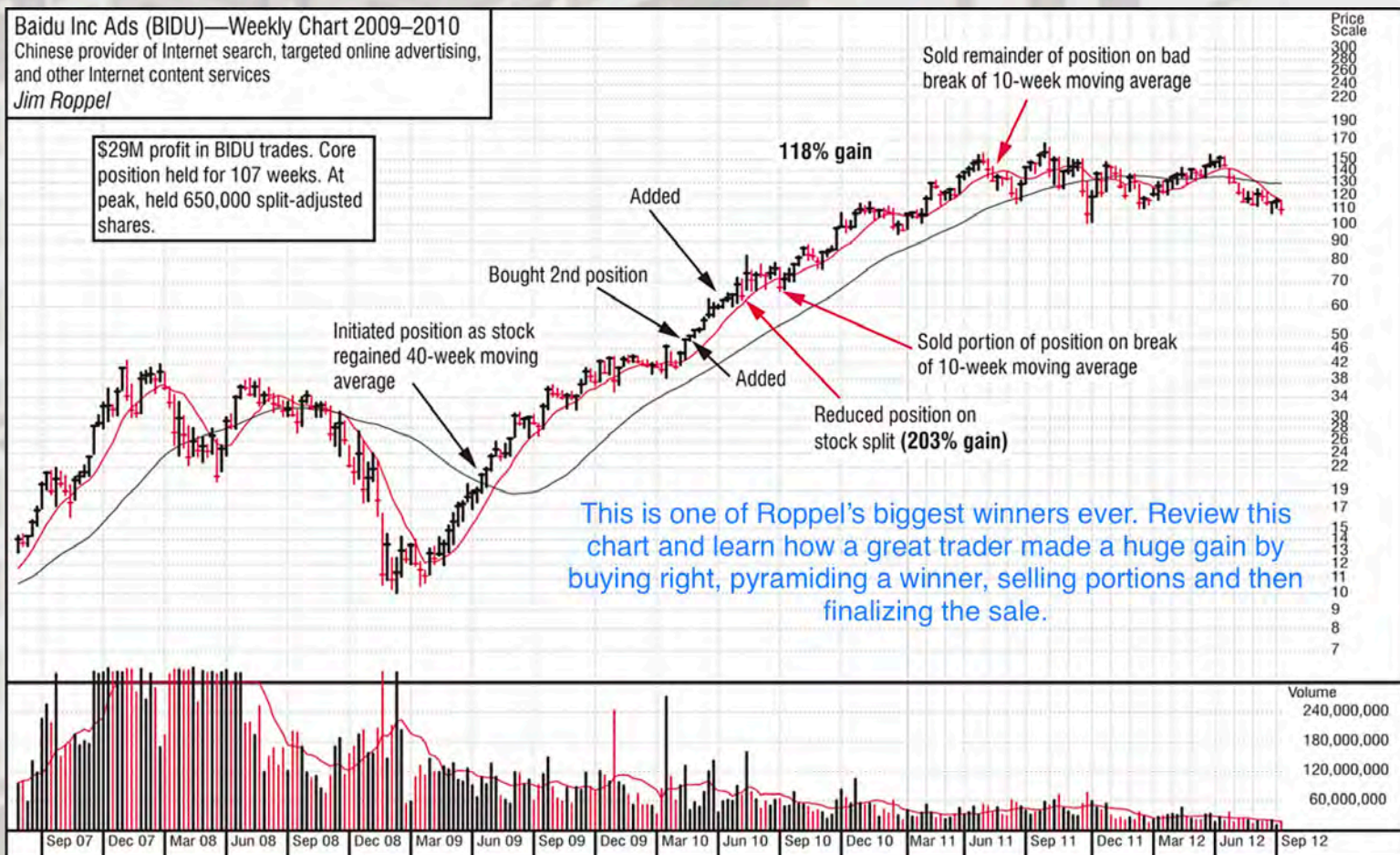


Source: Smith, Amy. *How To Make Money In Stocks Success Stories*, © 2013 by The McGraw-Hill Companies, Inc. All rights reserved.



Baidu Inc Ads (BIDU)—Weekly Chart 2009–2010  
Chinese provider of Internet search, targeted online advertising,  
and other Internet content services  
*Jim Roppel*

\$29M profit in BIDU trades. Core  
position held for 107 weeks. At  
peak, held 650,000 split-adjusted  
shares.



Source: Smith, Amy. *How To Make Money In Stocks Success Stories*, © 2013 by The McGraw-Hill Companies, Inc. All rights reserved.





## 01/2013 - 03/2014

A strong 42% gain on the Nasdaq in 14 months coming off a choppy 2012 market environment. The Nasdaq returned 36% in 2013 alone, which was the best year since 2009 after the “Great Recession” bear market.

### Leading Stocks:

- Tesla: Up 344% in 2013.
- Netflix: Up 303% in 2013.
- Micron Technology: Up 243% in 2013.
- Celgene: Doubles to score a 111% gain in 2013.
- Facebook: Doubles with a 105% gain for 2013.
- Gilead Sciences: Up 104% in 2013.
- Yahoo!: Another monster year as it gains 103% in 2013.
- Western Digital: Up 101% in 2013.



## 10/2016 - 12/2017

After several years of choppy trade throughout late 2014, 2015, and the first half of 2016 (some from interest rate increases from the Fed) a solid uptrend began in late '16. In 2017 the Nasdaq rose 28%.

### Leading Stocks:

**Nvidia:** An early leader in '16 it then breaks out several more times on big volume after rebasing and continues getting support as it keeps rising into the end of 2017.

**Square:** A breakout in early 2017 leads to a tripling in price into a climax run by year end.

Applied Materials

Micron Technology

**Alibaba:** From a power pivot breakout on big volume in early 2017 it nearly doubles by December 2017.

Sociedad Quimica

IPG Photonics

**Ultra Clean Holdings:** In early 2017 this stock breaks out on big volume and more than triples until the end of 2017.

**Lam Research:** In late 2016 this stock comes up and off its 50-day line and doubles in one year after two pullbacks are recovered.

**Arista Networks:** From a huge breakout off the 50-day line on big volume in March '17 this stock more than doubles by year end on excellent price and volume action.

**TAL Education:** Off a double bottom base in early 2017 this stock more than doubles into a climax run top in late September 2017.

**New Oriental:** Another Chinese education stock that had a big gain during this uptrend.

**Universal Display:** Doubles in 9 months from a long base, rebases, and continues higher.

**Cognex Corp:** Triples during this uptrend after breaking out, rebasing quickly, and then going into a climax run.

PayPal

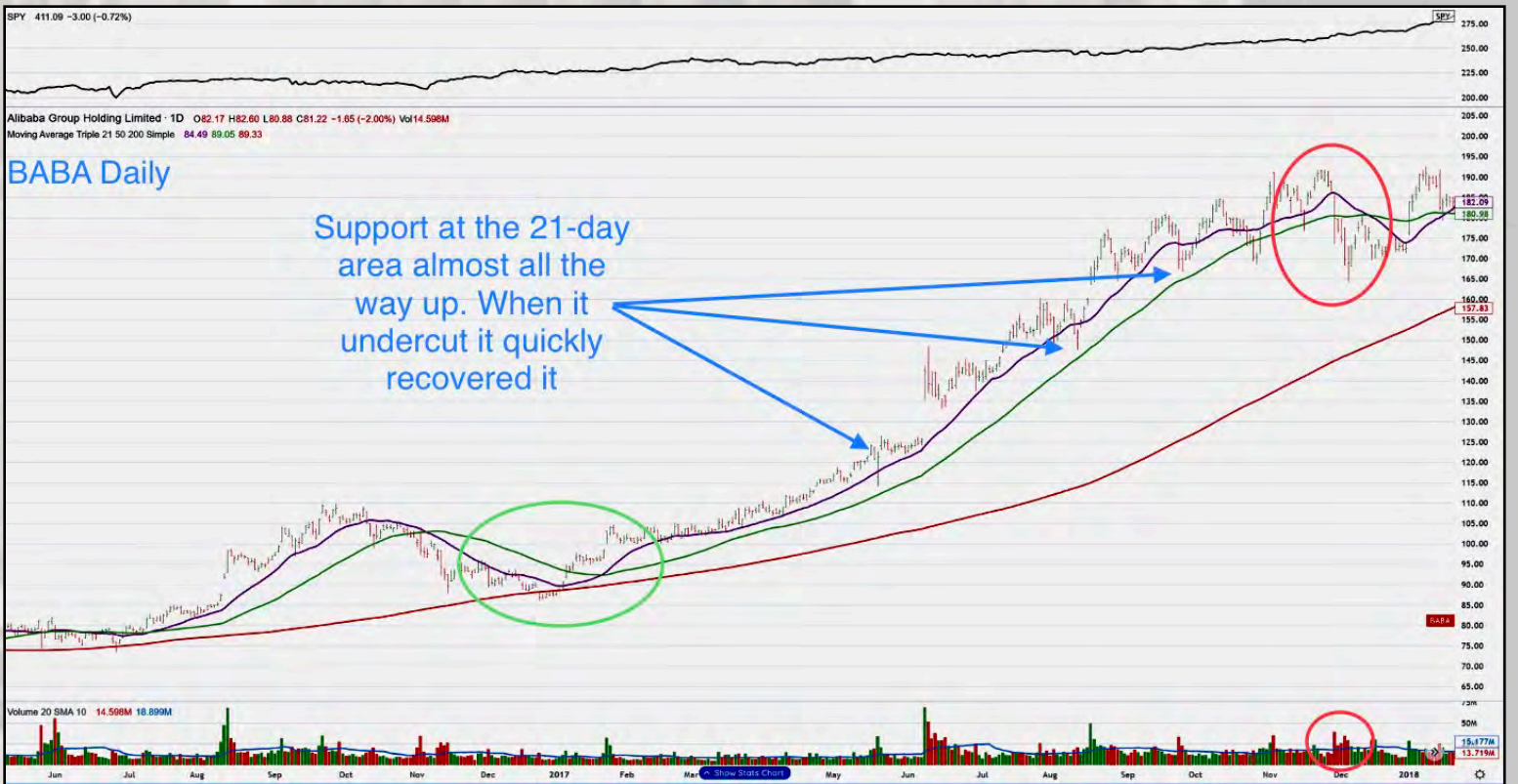
**Align Technology:** This stock doubles in nine months during 2017 with solid price and volume action.

**Shopify:** Out of a base and off the 50-day line in December 2016 this one soars nearly straight up by 175% to a top in October 2017.

Take-Two Interactive

**Overstock.com:** Coming up fast on big volume in August '17 this stock quadruples in only 5 months.

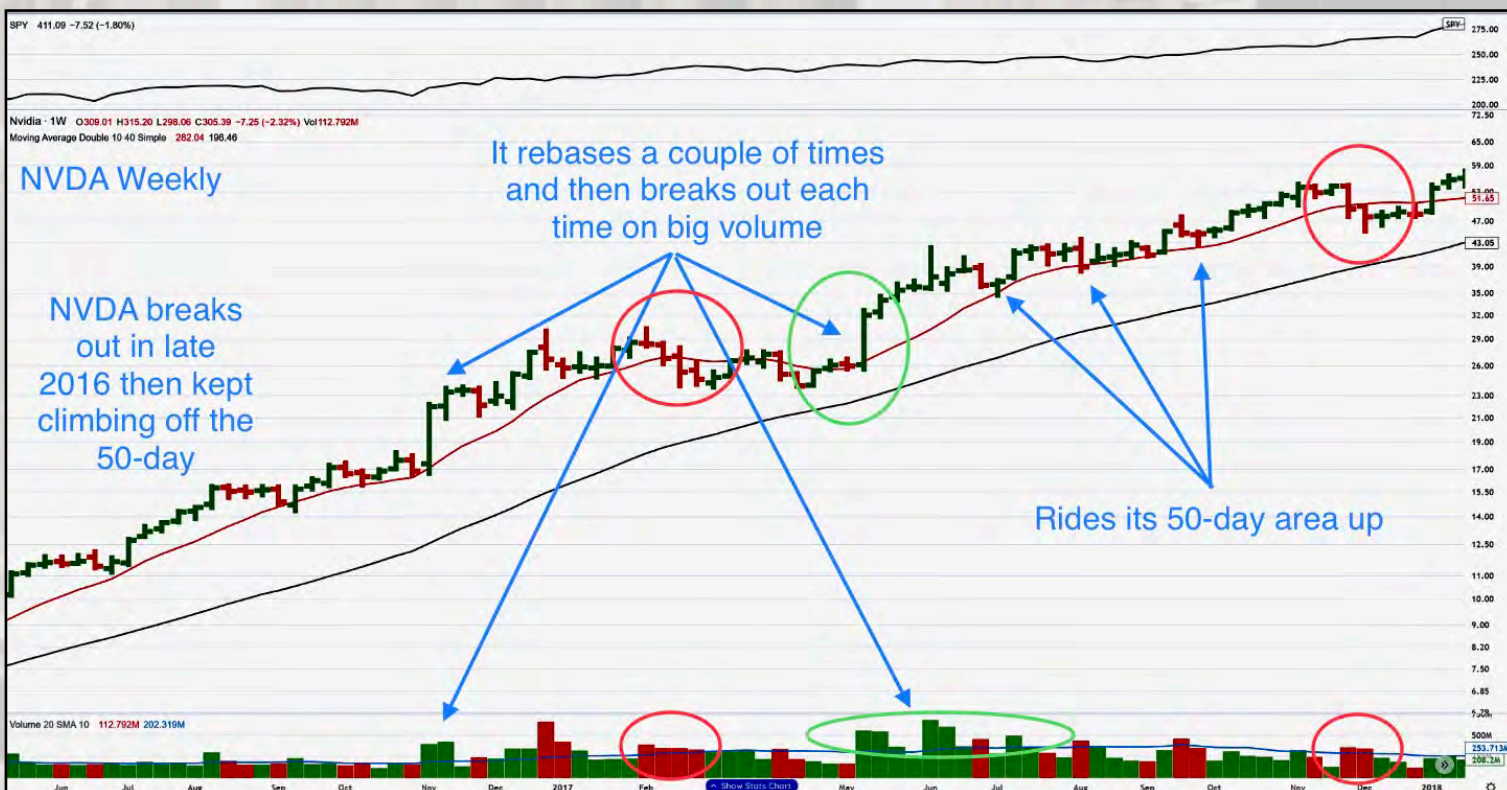




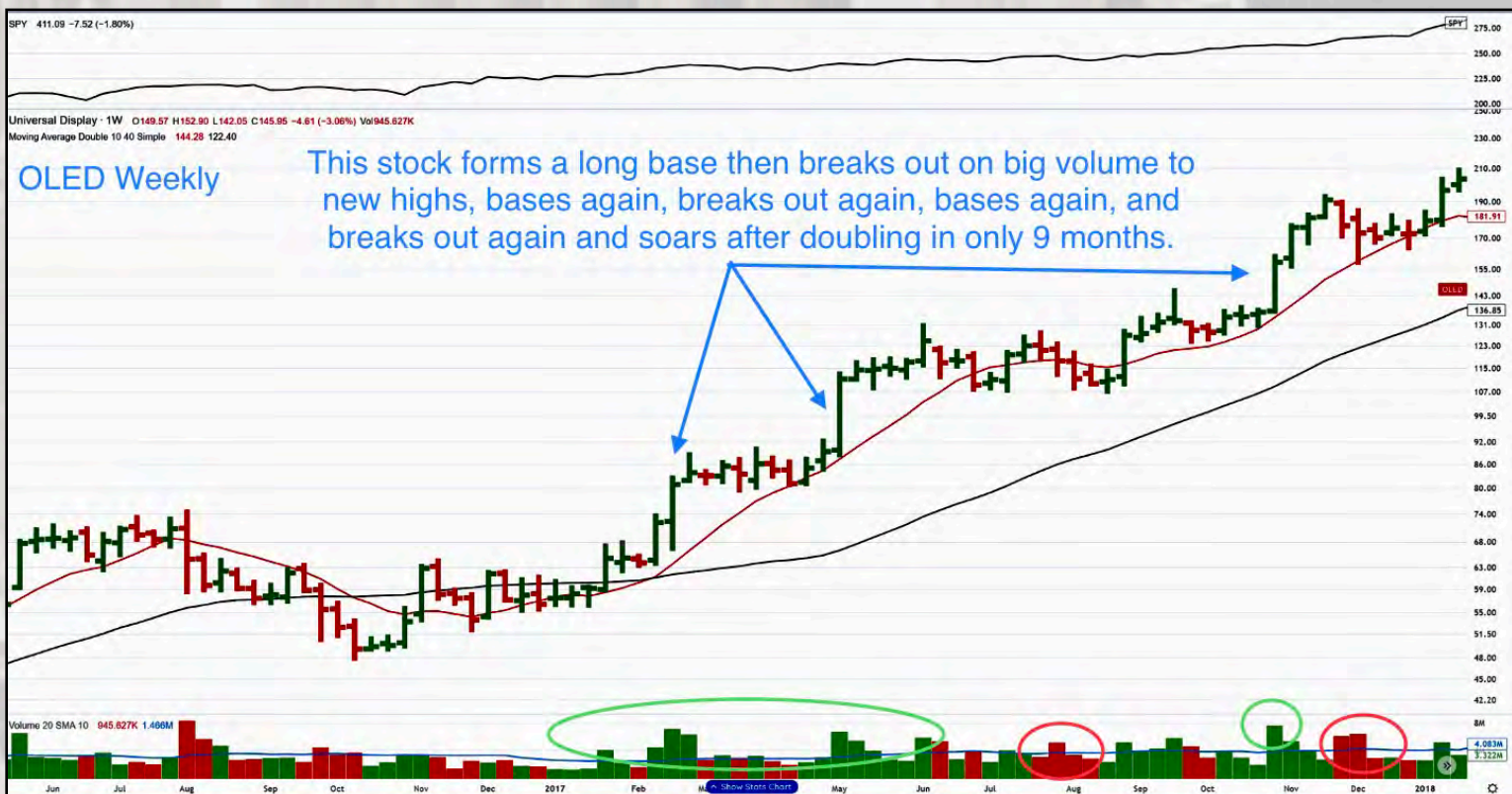




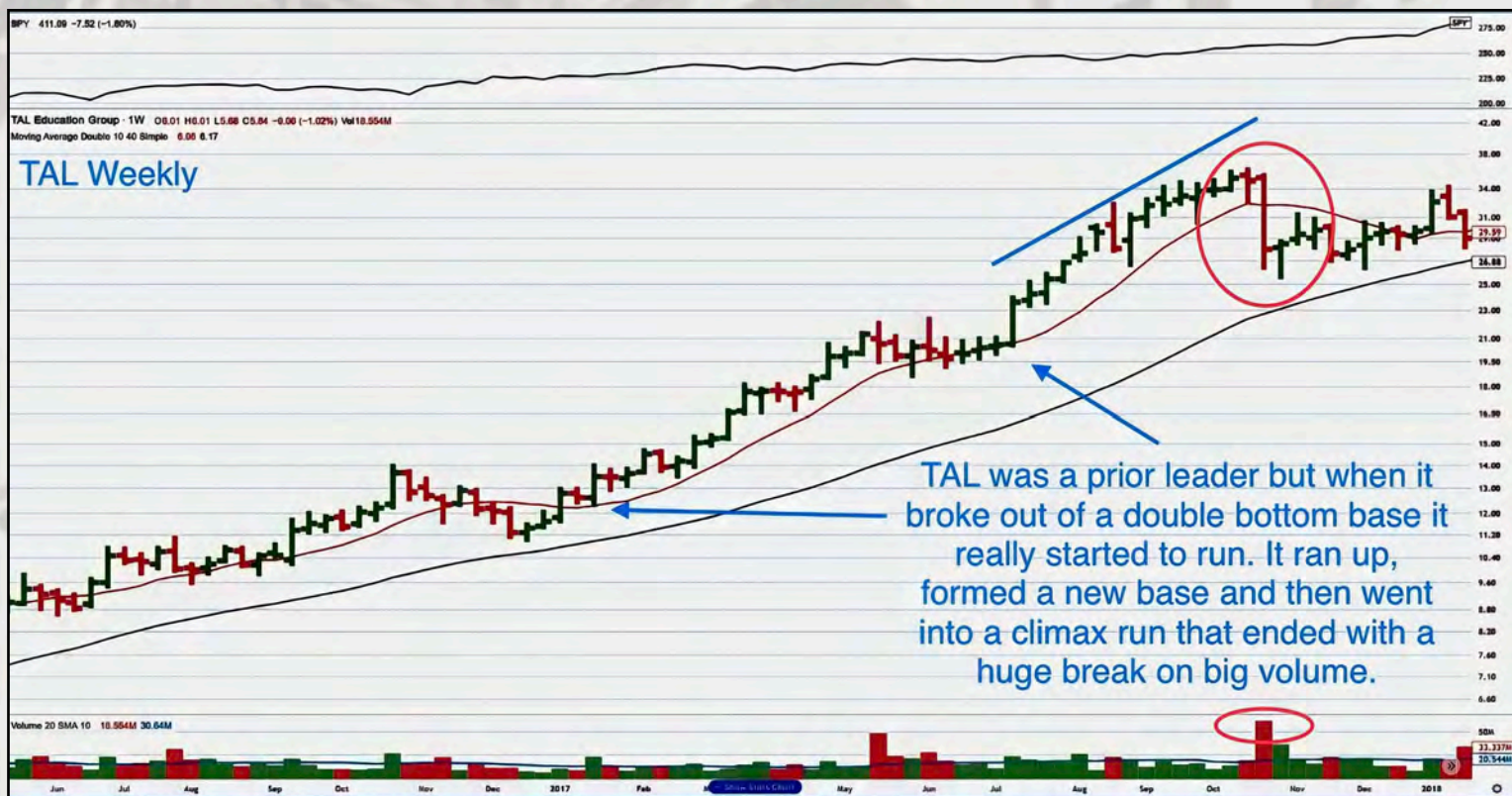
















## 09/2018 - 12/2018

This sharp market drop was mostly related to the uncertainty of the Trump administration's tariff restrictions on China. In addition, the Fed had already raised interest rates in June and then again in September. By the last week of September, leading stocks started topping and new lows started exceeding new highs. The Fed again raised rates in December, but the Trump administration put additional China tariffs on hold on December 1st. It wasn't until January 7th of 2019 that new highs took over and the short but sharp bear decline would end. IBD changed their market outlook to Confirmed Uptrend on January 4, 2019.



## Historic Cycles & Monster Stocks 2020 - Present

### 02/2020 - 04/2020

2020 started off with a bang as the market continued, following up on the strong Q4 uptrend from 2019. Chinese stocks were some of the leaders at the time, including BABA, TIGR, EH, and MOMO. Other leaders were LITE and PYPL, just to name a few. January was positive, but near the end of the month, we start to hear about and get a glimpse of the early impacts from COVID-19.

By the third week of February, COVID-19 was starting to have a major impact. A string of distribution days occurred in the markets, the first trend of negative net New High/New Lows (H/L/G) since the beginning of Q4 in 2019 set in, and leading stocks were breaking down through key moving averages on volume signatures. As the month progressed so did the selling. Heavier selling was hitting the markets by the last week of February. IBD changed their market outlook status to “uptrend under pressure” on February 24. The next day IBD changed their outlook again, this time to “market in correction” as heavy selling continued. March was a panic sell month as the indexes tanked and COVID-19 concerns started to make a big impact. The month of March 2020 will go down as one of the worst in market history - near the end of the month the Dow was already down 33% for the year.

Selling began to slow the last week of March, and the H/L/G, while still negative, was now in the low two-digit figures as opposed to numbers in the thousands seen just weeks before.

On April 2, 2020, IBD changed their market outlook to “market in confirmed uptrend.” More stocks started to rise, and some potential leaders were showing positive volume action and key moving average support. On April 9, 2020 the H/L/G turned positive for the first time since February 21, breaking a negative 33-day trading streak.



S&P 500 (1 Year)  
2020-01-02 - 2020-12-31 +511.40 (+15.76%)

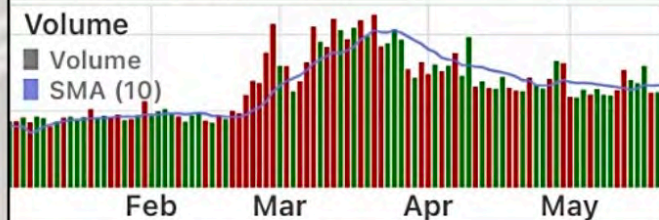
■ SMA (50)  
■ SMA (200)



© 2021 StockMaster

Volume

■ Volume  
■ SMA (10)

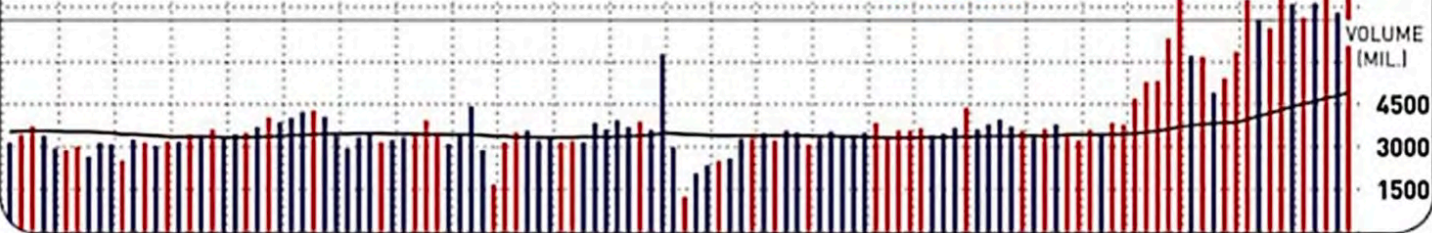


**DOW JONES INDUSTRIAL** 19174 -913.21 (-4.5%) HI 20531.26 LOW 19094.27 OFF 52 WK HI -35.2% SINCE JAN 1 -32.8%

30 Dow Stocks Price Change & Accumulation/Distribution

AAPL 15.54 D	CAT -7.51 E	DIS -8.95 E	HD -8.98 D-	JNJ -7.16 E	MCD -1.01 E	MSFT -5.36 D+	TRV +3.44 E	VZ -1.82 C-
AXP -2.95 E	CSCO -2.11 C-	DOW -0.68 E	IBM -4.95 E	JPM -1.80 E	MMM -12.62 D-	NKE -2.89 E	UNH -13.21 D	WBA -2.13 B-
BA -2.70 E	CVX +2.00 E	GS -11.08 E	INTC -0.11 E	KO -3.53 E	MRK +0.63 C	PFE -1.41 E	UTX -1.23 E	WMT -5.48 B
						PG -8.40 D	V -5.42 D-	XOM -1.69 E

Accumulation/Distribution E







#### 04/2020 - 02/2021

Following the COVID-19 sell off in February and March 2020 (which resulted in one of the sharpest sell offs in the shortest amount of time ever in market history) the market confirmed a new uptrend in early April 2020. A very strong 74% rise went into early February 2021. There were many stocks that came up and lead a strong rally that lasted until February 2021 before sector rotation came in. The New High/New Low gauge was in a strong positive position during this move. There were 78 trading days in a row positive from mid May through early September (and only four days were negative from mid April to early September).

#### Leading Stocks:

**Zoom Video:** One of the first ones to come up off the bear market it soars nearly fourfold before it tops in mid October '20.

**DocuSign:** Breaks out with the market in early April '20 and nearly tripled in only 5 months before correcting hard.

**Peloton:** Another early leader due to changed lifestyles due to COVID it gains 425% in '20.

Etsy

**Cloudflare:** Another early leader it more that triples from proper buy areas.

CrowdStrike:

**Pinduoduo:** Chinese leader that soared in '20 - it doubled in 3 months.

**Livongo Health:** A huge winner for top traders (Kell & Caruso scored 400% + profits on it). A huge supported run finished with a buyout announcement.



**Datadog:** A tech leader that broke out in May '20, then rebased and broke out again.

**Shopify:** Another Covid lifestyle stock that scored big gains in '20.

Twilio

PayPal

**Fastly:** This fast mover quadrupled in only 3 months and then had two massive gap-downs that kicked most top traders out after scoring big gains.

Draftkings

**Roku:** A strong supported run after breaking out in June '20.

Square

**Zscaler:** A leading tech stock all year it continued into 2021.

**Nio:** Another Monster winner in the EV space - it soared over 1,000% in '20.

**Tesla:** This stock was the real leader of this uptrend and many top traders made big returns on it. This was the main stock that contributed to Oliver Kell's 941% return in 2020.

Growgeneration

Sailpoint Tech Holdings

Digital Turbine

Pinterest

Snap

**The Trade Desk:** This stock was a big winner for Roppel and Caruso.

## 05/2021 - 11/2021

A milder uptrend from the prior year but it did produce several monster stocks. Sector rotation kicked in in early spring '21 so then it became more of a choppy shifting market as many prior leaders started to weaken. Minervini shortened his timeframes considerably due to breakouts lasting only days or weeks. He ended up winning the US Investing Championship with that strategy (up 334%).

Leading Stocks:

**ZIM Shipping:** An IPO, this shipper was a standout leader throughout '21.

**Devon Energy:** This energy leader benefited from high oil prices.

**Fortinet:** One of the best tech stocks during the year as others had topped.

**BioNTech SE:** This Covid vaccine maker had a great run during '21.

**Moderna:** This Covid vaccine maker also had a strong run as well.

**Zscaler:** This leader followed up '20s gains with more upside until Nov '21.

**Tesla:** This big winner rebased and had a climax run into early Nov '21.

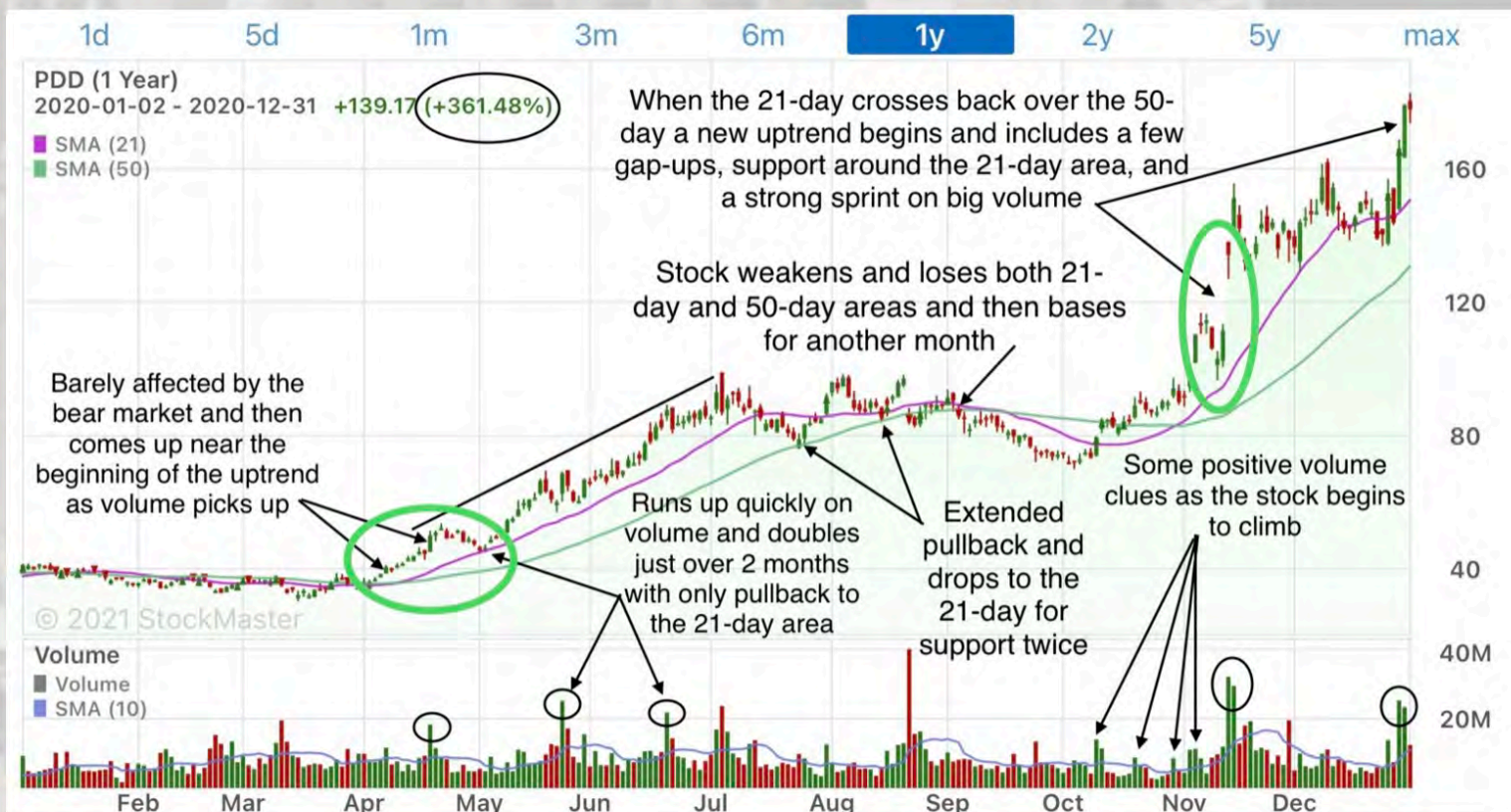
**Nvidia:** This leader had a strong run up until the Nasdaq topped in Nov '21.

**Upstart Holdings:** A big winner for Minervini it ended with a climax run.







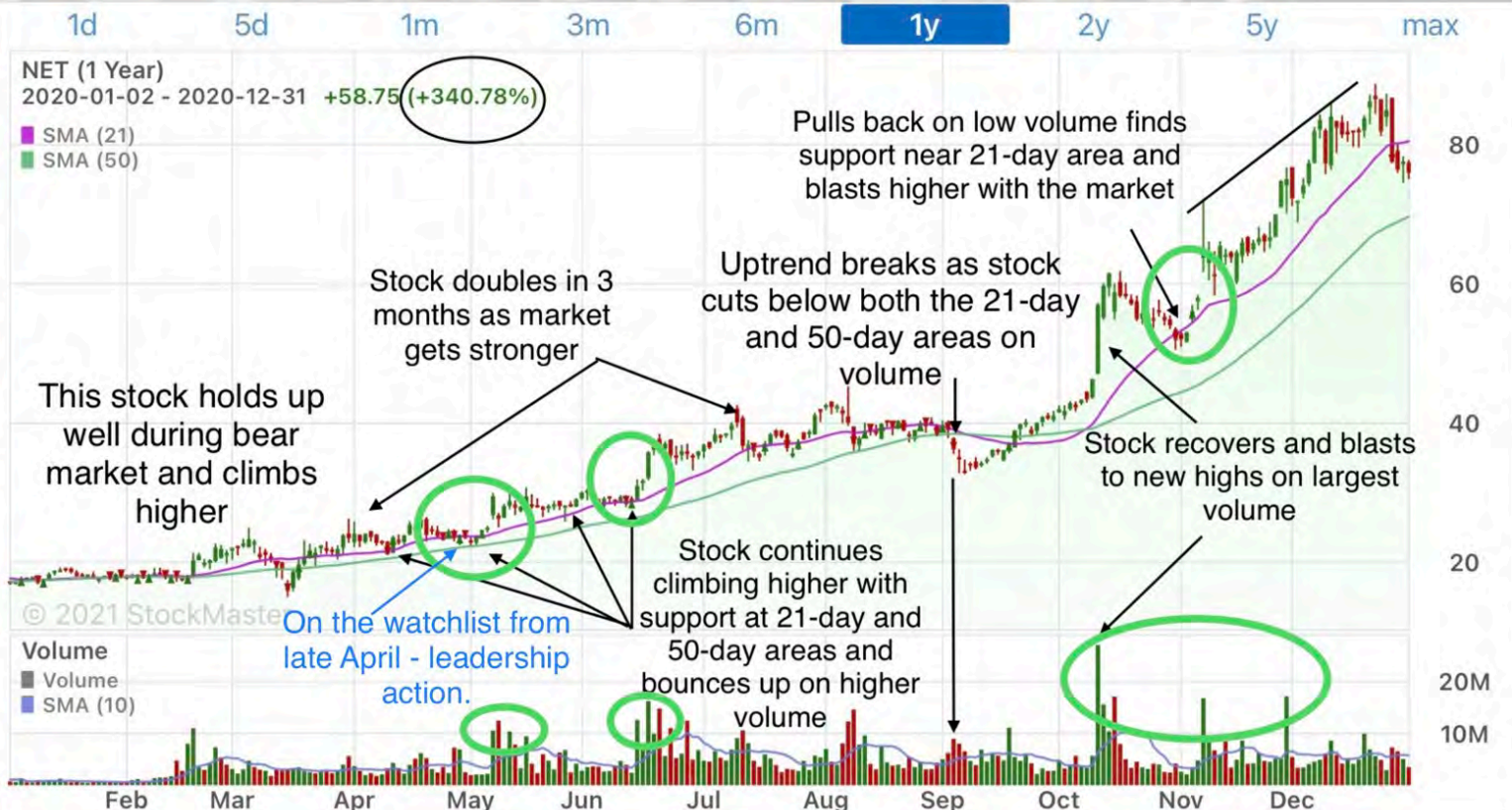




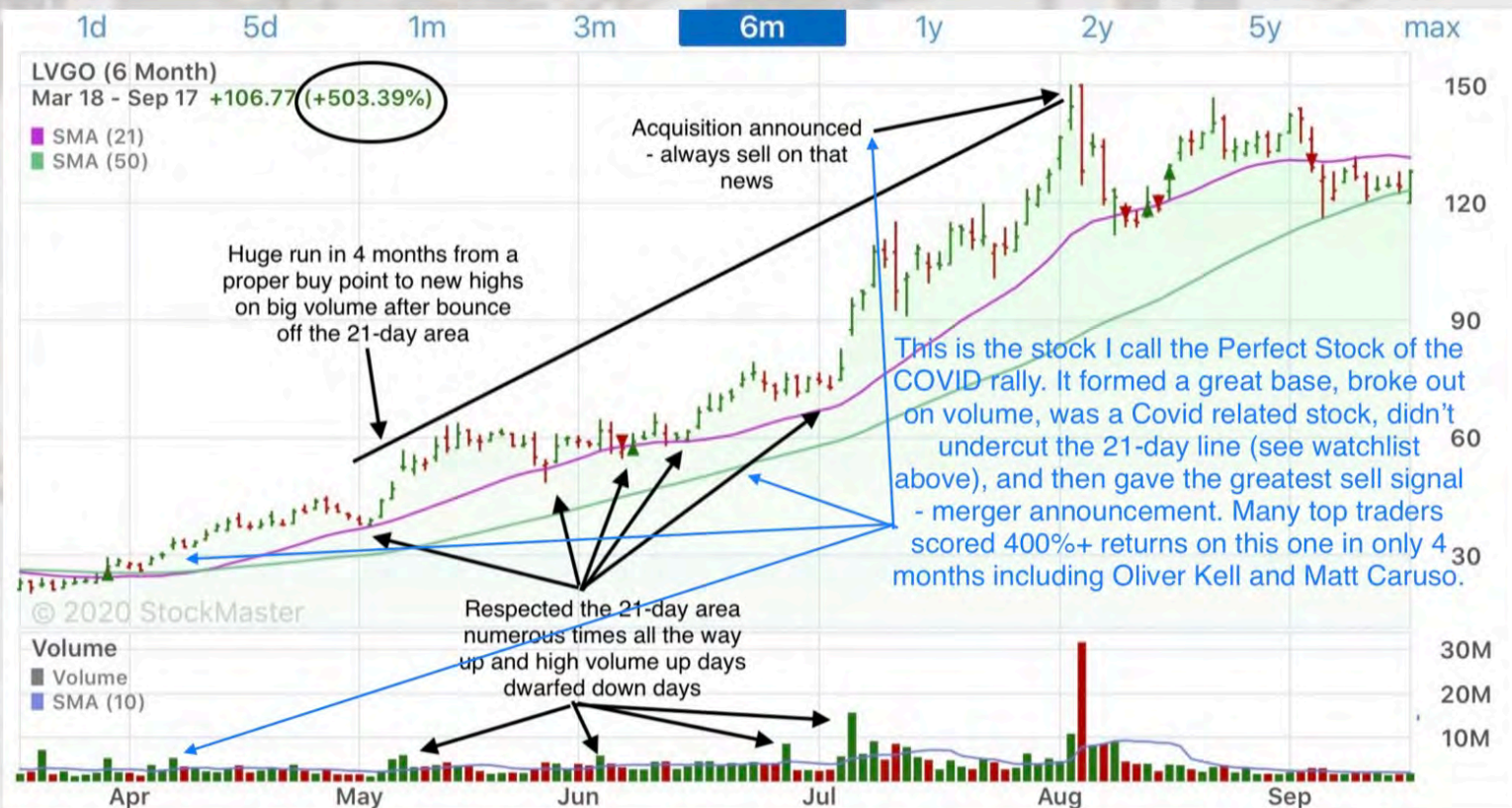


This list shows leadership forming and coming out soon after the market turned up.

Figure 1-14 Weekend Chart Watchlist – April 26, 2020. (IBD)







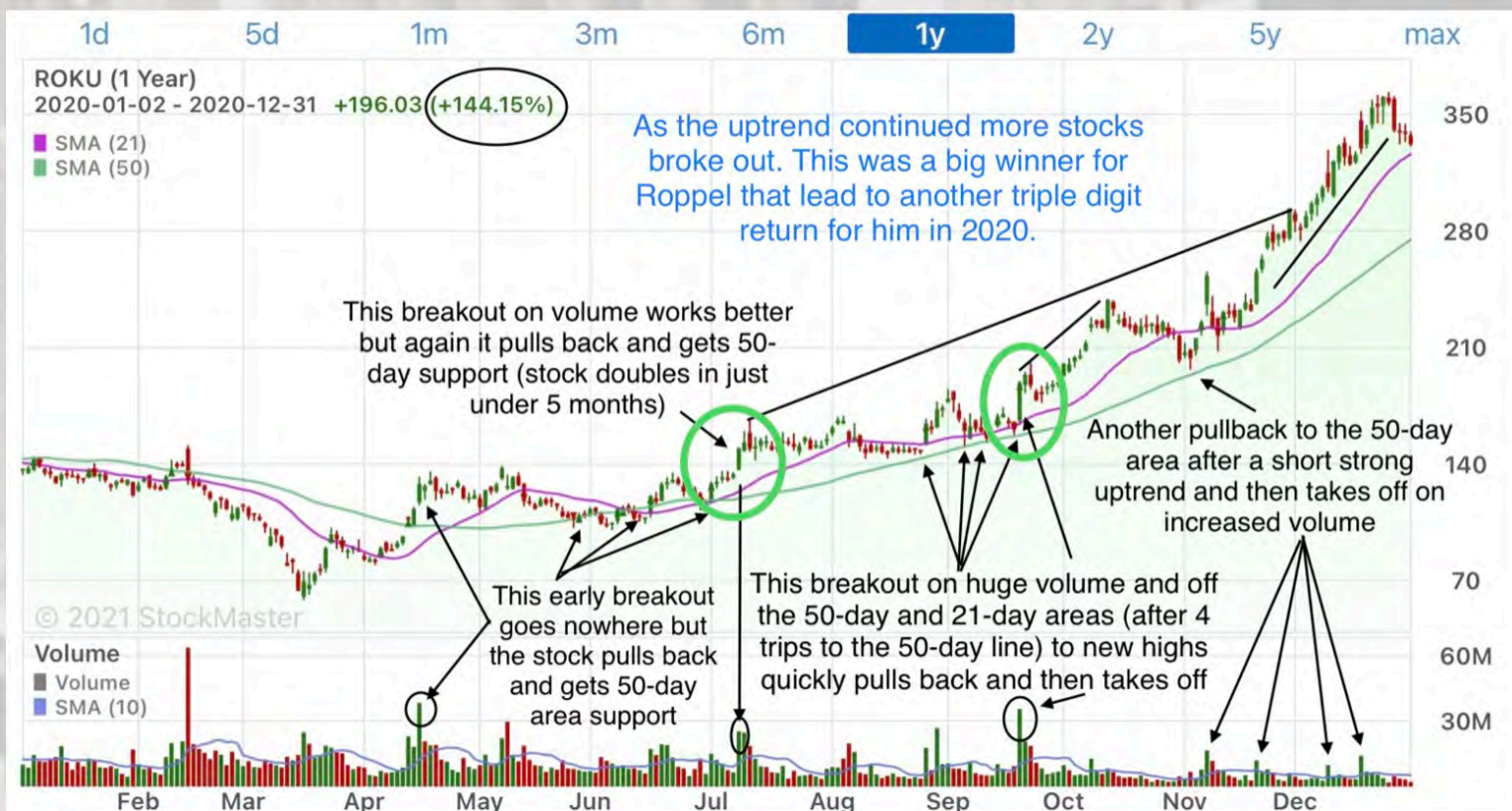
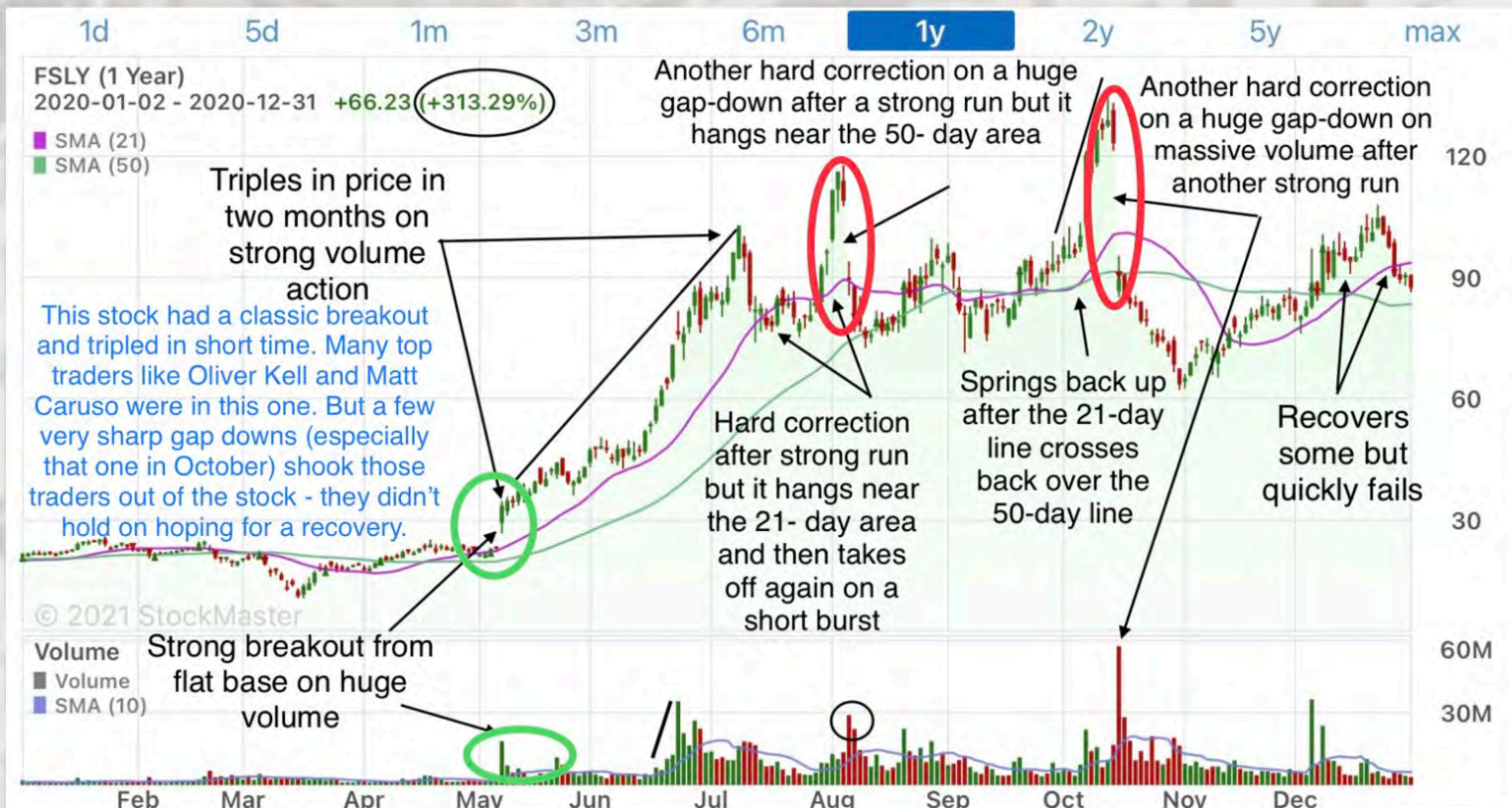
This is now about 5 weeks into the uptrend - early leaders keep running and some recent ones are moving.

Figure 1-15 Weekend Chart Watchlist – May 15, 2020. (IBD)





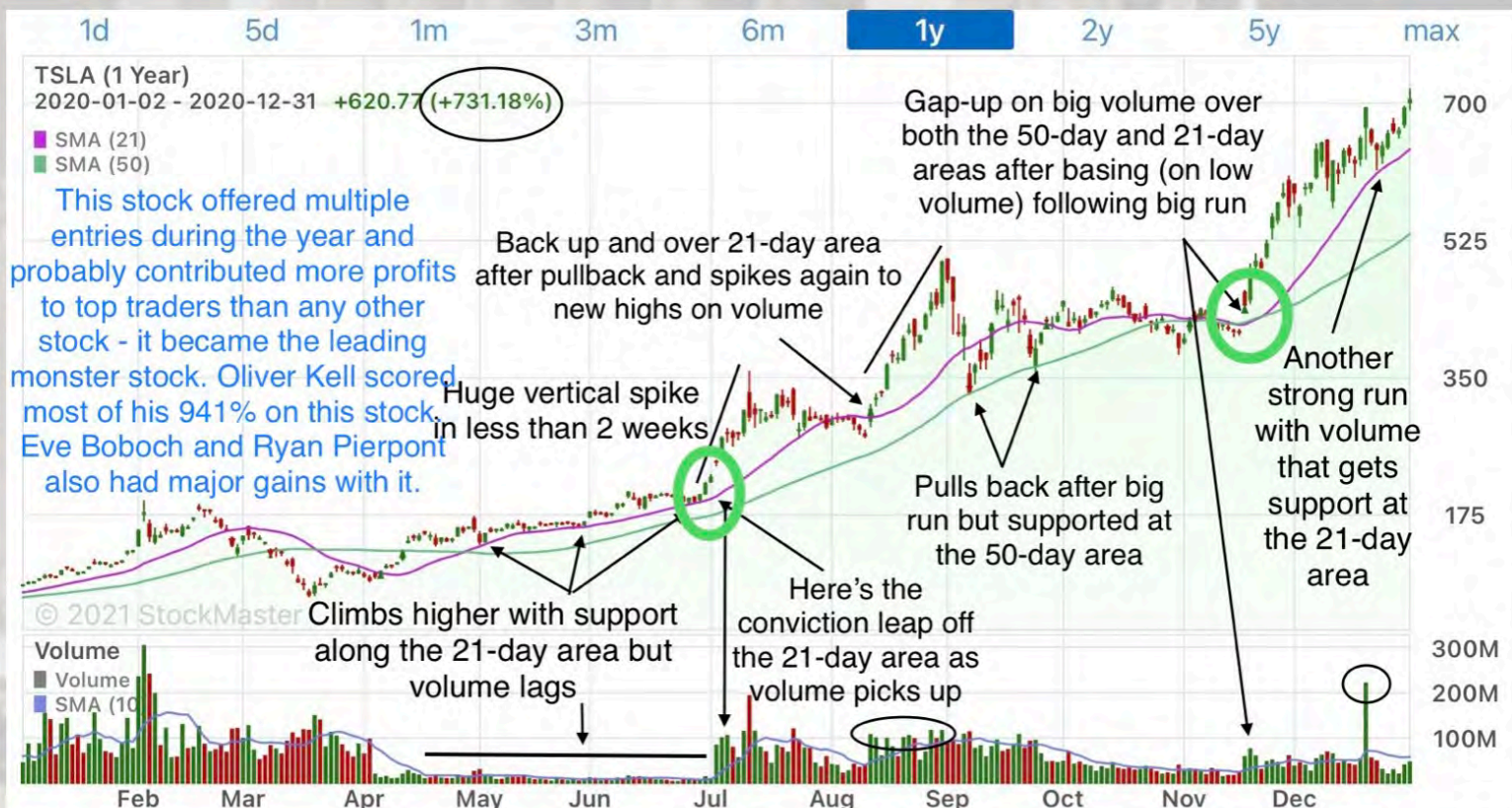














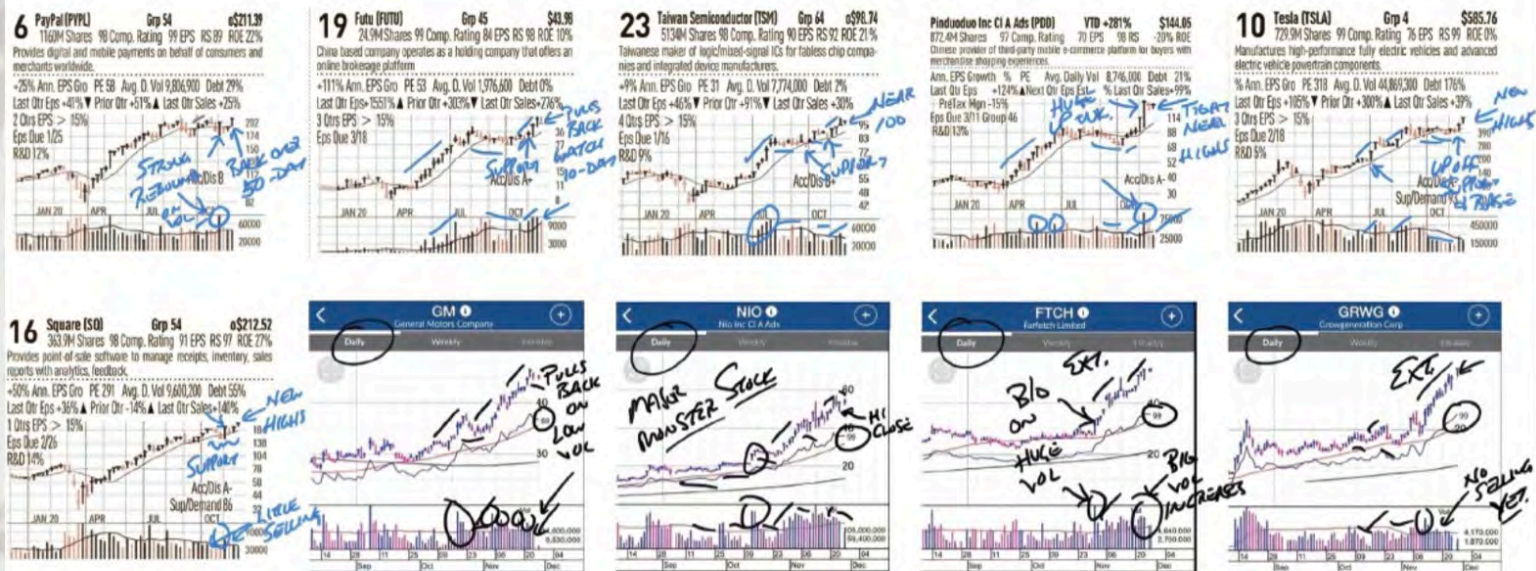
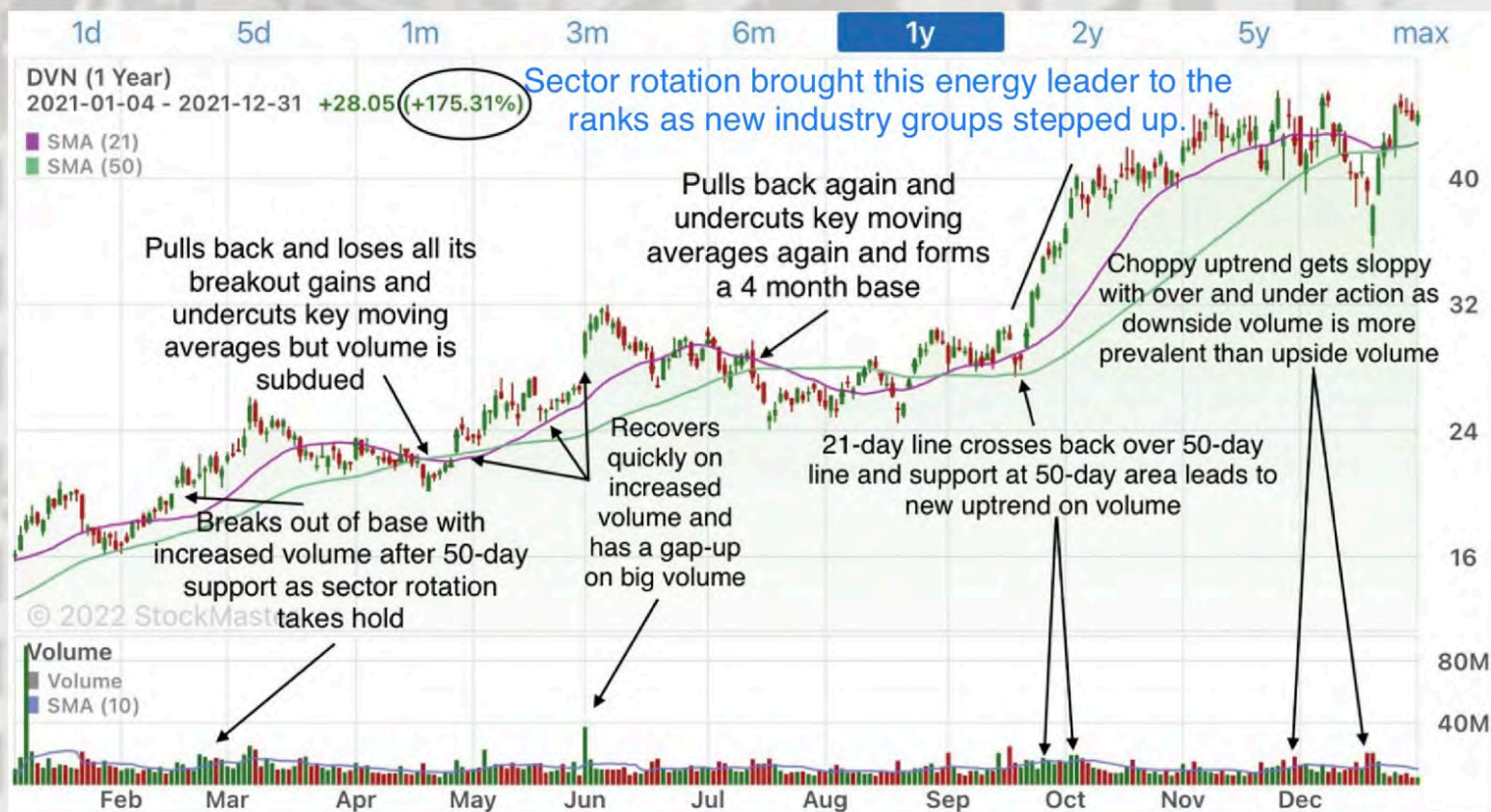


Figure 1-39 Weekly Chart Watchlist. November 27, 2020 Daily Chart. (IBD)

Late '20 watchlist to see how leading stocks are acting after strong runs.























### 11/2021 - 06/2023 (Present)

Starting in mid November 2021, following an uptrending but choppy market environment throughout much of 2021, new lows started to overtake new highs. The Nasdaq then peaked and began a stair stepped downtrend into October 2022. But in February 2021 many former leaders started topping and then crashed all the way down (see examples at the end). It was sector rotation that kept the market moving higher until the November '21 peak.

High energy prices then led to higher inflation which caused the Fed to begin raising interest rates in an aggressive manner. They started in March '22 (1/4 point) and raised again in May (1/2 point) and then continued raising them in June, July, September, and November (3/4 points each time). Then it was 1/2 point increase in December and then a 1/4 point in February, March, and May 2023 so far. Breaks below key moving averages and new lows dominating new highs on a consistent basis caused many top traders to be in very high cash levels for most of the year in 2022. Rallies turned out to be classic bear market rallies as resistance areas kicked the market back down.

So far it looks like the high volume reversal on October 13th on the Nasdaq could be the bottom. Net new highs/new lows that day hit an excessive level of -1,201 and the index reversed up to close high on big volume.



Some Recent Examples Of Prior Monster Stocks That Topped & Then Collapsed













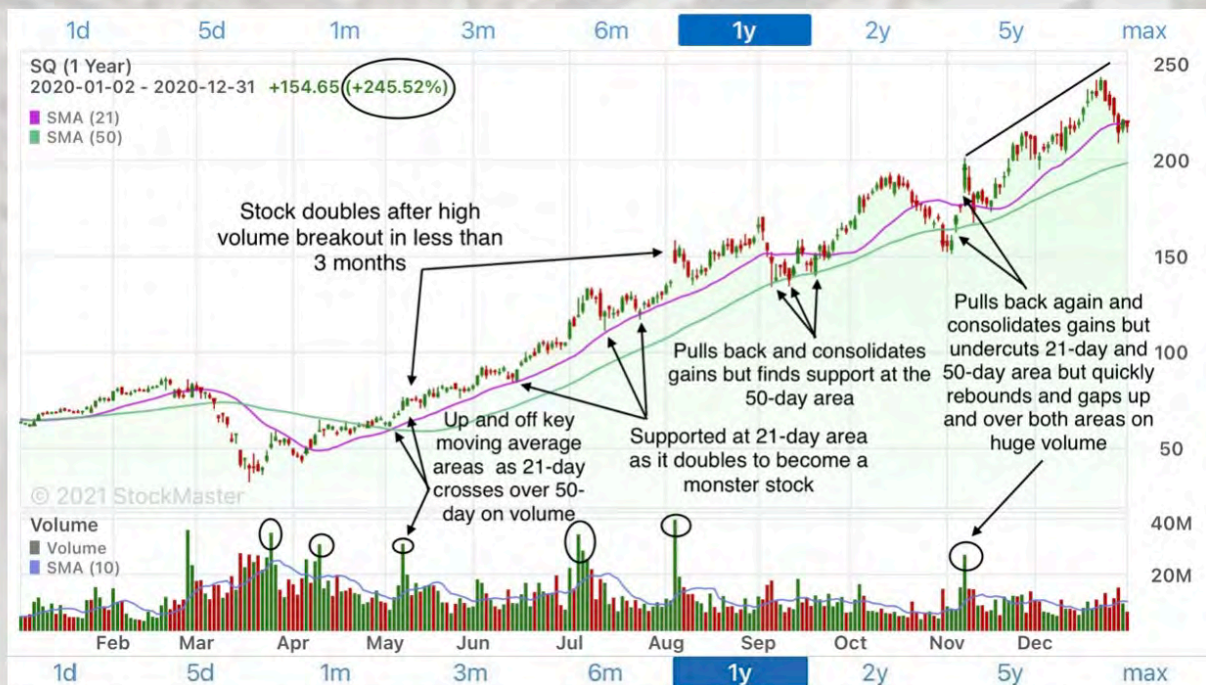










Figure 2-22 Asana, Inc. 2021 Daily Chart. (StockMaster)



Figure 2-14 Cloudflare, Inc. 2021 Daily Chart. (StockMaster)





## Monster Stocks flourish in strong markets - Top 40 from 2020, 2021, & 2022

Rank	Company	Ticker	Industry	2020 price % chg	Rank	Company	Ticker	Industry	2021 price % chg	Rank	Company	Ticker	Industry	2022 price % chg
1	Tesla Inc	TSLA	Auto Manufacturers	743.4%	1	Gamestop Corp	GME	Retail-Consumer Elec	687.63%	1	Scorpio	STNG	Oil&gas-tmsprt/pip	319.75 %
2	Fiverr International Ltd	FVRR	Retail-Internet	730.2	2	Veritiv Corporation	VRTV	Paper & Paper Products	489.56	2	Transmedics	TMDX	Medical-products	222.13
3	Twist Bioscience Corp	TWST	Medical-Biomed/Biotech	572.8	3	Avis Budget Group Inc	CAR	Leisure-Services	455.95	3	PBF Energy A	PBF	Oil&gas-rfing/mkt	214.42
4	Enphase Energy Inc	ENPH	Energy-Solar	571.5	4	Prothena Corp plc	PRTA	Medical-Biomed/Biotech	311.32	4	ConsolEnrg	CEIX	Energy coal	186.22
5	Peloton Interactive Cl A	PTON	Leisure-Services	434.2	5	Apollo Medical Holdings	AMEH	Medical-Managed Care	302.19	5	Intl Seaways	INSW	Oil&gas-tmsprt/pip	152.18
6	Moderna Inc	MRNA	Medical-Biomed/Biotech	434.1	6	ZIM Integ Shipping Svcs	ZIM	Transportation-Ship	292.40	6	Alpha Metallur	AMR	Energy coal	139.79
7	Curevac N V	CVAC	Medical-Biomed/Biotech	406.7	7	Dillards Inc Class A	DDS	Retail-Department Stores	288.61	7	Occidental	OXY	Oil&gas-intl expl pr	117.28
8	Sunrun Inc	RUN	Energy-Solar	402.4	8	Upstart Holdings Inc	UPST	Finance-Consumer Loans	271.29	8	HelmrichPayn	HP	Oil&gas-drilling	109.16
9	Zoom Video Comm Cl A	ZM	Computer Sftwr-Enterprise	395.8	9	Customers Bancorp Inc	CUBI	Banks-Northeast	259.57	9	Axsome	AXSM	Medical-biomed/bth	104.15
10	Sea Limited Ads Cl A	SE	Internet-Content	394.9	10	Callon Petroleum Co	CPE	Oil&Gas-U S Expl&Prod	259.04	10	Amylyx	AMLX	Medical-biomed/bth	94.47
11	Denali Therapeutics Inc	DNLI	Medical-Biomed/Biotech	380.6	11	ID T Corporation Cl B	IDT	Telecom Svcs-Integrated	257.28	11	Hess	HES	Oil&gas-intl expl pr	91.57
12	Beam Therapeutics Inc	BEAM	Medical-Biomed/Biotech	380.2	12	Danaos Corporation	DAC	Transportation-Ship	248.34	12	Valaris	VAL	Oil&gas-drilling	87.83
13	Pinduoduo Inc Cl A Ads	PDD	Retail-Internet	369.8	13	Inotiv Inc	NOTV	Medical-Research Eqp/Svc	242.03	13	ATI Inc	ATI	Steel-spclty alloys	87.45
14	Silvergate Cap Corp Cl A	SI	Banks-West/Southwest	367.1	14	Clearfield Inc	CLFD	Telecom-Fiber Optics	241.50	14	SuperMicro	SMCI	Cmp-hrdwre/perip	86.8
15	Schrodinger Inc	SDGR	Medical-Research Eqp/Svc	365.8	15	Oasis Petroleum Inc	OAS	Oil&Gas-U S Expl&Prod	239.96	15	CVREnergy	CVI	Oil&gas-rfing/mkt	86.44
16	Fate Therapeutics Inc	FATE	Medical-Biomed/Biotech	364.6	16	Bicycle Therapeutics Ads	BCYC	Medical-Biomed/Biotech	239.11	16	Golar	GLNG	Oil&gas-tmsprt/pip	83.94
17	Billibili Inc Cl Z Ads	BILI	Internet-Content	360.4	17	Bluelinx Holdings Inc	BXC	Retail/Whlsle-Bldg Prds	227.27	17	Weatherford	WFRD	Oil&gas-mchnry/eq	83.69
18	Inari Medical Inc	NARI	Medical-Products	359.4	18	Signet Jewelers Ltd	SIG	Retail/Whlsle-Jewelry	219.14	18	MarathonPet	MPC	Oil&gas-rfing/mkt	81.89
19	Aix Oncology Holding Inc	ALXO	Medical-Biomed/Biotech	353.7	19	Biontech Se Ads	BNTX	Medical-Biomed/Biotech	216.24	19	ExxonMobil	XOM	Oil&gas integrated	80.26
20	Cloudflare Inc Cl A	NET	Computer Sftwr-Enterprise	345.4	20	United Natural Foods Inc	UNFI	Wholesale-Food	207.33	20	DelekUS	DK	Oil&gas-rfing/mkt	80.12
21	Cerence Inc	CRNC	Computer Sftwr-Desktop	344.0	21	Matador Resources Co	MTDR	Oil&Gas-U S Expl&Prod	206.14	21	Schlumbergr	SLB	Oil&gas-field servic	78.5
22	Keros Therapeutics Inc	KROS	Medical-Biomed/Biotech	340.9	22	Laredo Petroleum Inc	LPI	Oil&Gas-U S Expl&Prod	205.23	22	Agilysys	AGYS	Cmptr-intgrtd syst	78
23	Acm Research Inc Cl A	ACMR	Elec-Semiconductor Equip	340.4	23	Thryv Holdings Inc	THRY	Comm Svcs-Advertising	204.67	23	Antero Rsrcs	AR	Oil&gas-u s expl pro	77.09
24	Sitime Corporation	SITM	Elec-Semiconductor Fabls	338.9	24	Grid Dynamics Hldgs Cl A	GDYN	Computer-Tech Services	201.35	24	Lantheus	LNTH	Medical-products	76.39
25	Fastly Inc Cl A	FSLY	Computer Sftwr-Enterprise	335.3	25	Synaptics Inc	SYNA	Elec-Misc Products	200.32	25	NewFortEnerA	NFE	Oil&gas integrated	75.72
26	Zscaler Inc	ZS	Computer Sftwr-Security	329.5	26	Aspen Aerogels Inc	ASPN	Chemicals-Specialty	198.32	26	Sylvamo	SLVM	Containers/packaging	74.22
27	CrowdStrike Holdings A	CRWD	Computer Sftwr-Security	324.7	27	Denbury Inc	DEN	Oil&Gas-U S Expl&Prod	198.13	27	APA	APA	Oil&gas-intl expl pr	73.6
28	Appian Corp Cl A	APPN	Computer Sftwr-Design	324.2	28	InMode Ltd	INMD	Medical-Systems/Equip	197.43	28	Halliburton	HAL	Oil&gas-field servic	72.06
29	Lemonade Inc	LMND	Insurance-Prop/Cas/Title	322.4	29	Metropolitan Bank Hldg	MCB	Banks-Northeast	193.71	29	First Solar	FSLR	Energy-solar	71.86
30	Berkeley Lights Inc	BLI	Medical-Biomed/Biotech	306.4	30	Atlanticus Holdings Corp	ATLC	Finance-Consumer Loans	189.57	30	ValeroEngy	VLO	Oil&gas-rfing/mkt	68.9
31	Fulgent Genetics Inc	FLGT	Medical-Research Eqp/Svc	303.9	31	Boot Barn Holdings Inc	BOOT	Retail-Apparel/Shoes/Acc	183.79	31	Tenaris	TS	Steel-producers	68.55
32	Etsy Inc	ETSY	Retail-Internet	301.6	32	Arcbest Corporation	ARCB	Transportation-Truck	180.88	32	Unum	UNM	Insrnce-acc & heal	66.99
33	Ontrak Inc	OTRK	Medical-Services	278.9	33	Ranpak Holdings Cl A	PACK	Containers/Packaging	179.61	33	Immunocore	IMCR	Medical-biomed/bth	66.68
34	Prelude Therapeutics Inc	PRLD	Medical-Biomed/Biotech	276.6	34	Devon Energy Corp	DVN	Oil&Gas-U S Expl&Prod	178.62	34	Elf Beauty	ELF	Cosmetics/persnl cre	66.52
35	Intellia Therapeutics	NTLA	Medical-Biomed/Biotech	270.8	35	Donnelley Financial Sol	DFIN	Financial Svcs-Specialty	177.78	35	New Oriental	EDU	Consumr svc-education	65.81
36	Scholar Rock Holding Crp	SRRK	Medical-Biomed/Biotech	268.2	36	Continental Res Inc	CLR	Oil&Gas-U S Expl&Prod	174.60	36	MarathonOil	MRO	Oil&gas integrated	64.86
37	Pulmonx Corporation	LUNG	Medical-Products	263.3	37	Perficient Inc	PRFT	Computer-Tech Services	171.33	37	MrpOil	MUR	Oil&gas-intl expl pr	64.73
38	Bill.com Holdings Inc	BILL	Computer Sftwr-Financial	258.7	38	Atkore Inc	ATKR	Bldg-Constr Prds/Misc	170.47	38	SierraWr	SWIR	Compter-netwrking	64.53
39	Pinterest Inc Cl A	PINS	Internet-Content	253.5	39	Calix Inc	CALX	Telecom Svcs-Cable/Satl	168.72	39	ConocoPhillips	COP	Oil&gas-intl expl pr	63.48
40	Freedom Holding Corp	FRHC	Finance-Invest Bnk/Bkrs	252.9	40	Green Plains Inc	GPRE	Energy-Alternative/Other	163.93	40	MeridianBio	VIVO	Medical-products	62.79



## Traders Who Stay

By L. L. CHINN

of Ball & Whicher.

This is from  
January 1908  
from Wyckoff's  
Ticker magazine -  
sums up the key  
traits

**T**HE experienced Wall Street broker is at no loss to understand why so many of the old faces disappear from about the tape as the months roll by, their places being taken by new people who come down here dollar chasing.

Every year sees many traders come and go, and the question is often asked—What class of traders stay?

It is obvious that the stayers must either make money or have some outside source of income. Capital is the speculator's breath of life. He cannot engage in market operations on promises to pay, nor as a result of his financial standing. In other lines of business he gives his orders first and pays for the goods in from thirty days to six months. When he comes into the

"Street" he must deposit the cash first, and give his orders afterwards.

If his capital shrinks he must put up more. If he does not put up, he must quit. So in order to stay he must either have money, get money, or make money.

My experience shows that there is only one general class which really stays. This is composed of those who consider Wall Street as a strictly business proposition. They have waded through the hazy ideas

which enveloped their first ventures, and have eliminated many of the fallacies coincident to their initial campaigns. They have learned to exercise patience; have overcome their tendency to operate on light margins; they avoid operating on "Street" tips.



L. L. Chinn

The composite successful speculator never straddles the market; this only results in his becoming a sort of three in one—Bull, Bear and Jackass.

Another strong point of the experienced trader who really makes money in the market, lies in his consistent playing of a bull market on the long side; likewise in a bear market he will be found among the shorts. He will never average when a trade goes against him, but will pyramid on a trade going his way, protecting himself cautious

ly by the use of stoporders.

The traders coming under my observation, who have lost the most money, have been those who announced the fact that they never would take a loss.

It is the members of this latter class who are usually obliged to accept killing losses and who, when they do find themselves on the right side, have so little patience that they take very small profits.



To summarize the successful common strategies that were implemented by the best traders over history, I will outline the key aspects that were utilized by the individual stock traders (Baruch, Livermore, Wyckoff, Loeb, Dreyfus, Darvas, O'Neil and Roppel) that were responsible for most of the millions of dollars in profits that these great stock traders realized.

### **Understand the General Trend of the Market & What To Do In The Cycle Stages**

This is the first key to success. You must be in tune with and trade with the trend and rhythm of the market. One must be observant of its action at all times and then follow its lead. Don't try to predict what it will do as no one ever has been able to do that with reliable accuracy for any sustained period of time. Many times the market can turn around quickly. Many times throughout history the market would top and begin to turn down when just about everyone was running around and was as excited and jubilant as they could be. Then, many other times, the market would turn up and begin a new uptrend when most people had given up on the market.

O'Neil's research shows that more than 75% of all stocks follow the general trend. There will always be outliers that defy the trend but the odds will be against you. And all the downtrends studied show prior leading stocks come down hard the majority of times. All the legendary traders (except for Livermore) earned their fortunes on the long side during strong uptrends. Minervini has mentioned that more than 98% of his stock gains have come from the long side - same with Roppel. The uptrends section highlighted many monster stocks that offered great returns when the market was strong.

When leading stocks start topping, the indexes experience distribution on increasing volume, the H/L/G gauge goes negative, and IBD had downgraded the overall health of the market, it is time to play defense. It's time to sell stocks and go to the sidelines with all the negative signals flashing. Those more experienced could short the indexes or the leading stocks that exhibited classic sell signals. Cutting losses short and not trying to go against the trend of a market in a clear downtrend are timeless lessons in the market. It is also a lesson in capital and mental preservation. Nothing is more important in the market than preserving capital when the market begins and continues on in a downward trend. That way, when the market turns around, which it always does you will be in a healthy capital and mental state to take advantage of the next uptrend and the opportunities it will offer.

The next lesson is about having the ability to wait out a market decline until clear signals show that the decline may be ending. That is a skill of patience learned from experience over time - it's called sit out power. Being patient adds to capital preservation, which goes a long way in protecting your capital and, more importantly, your mental capital capacity as well. Not getting frustrated during a market decline or getting whipped up and down from the volatility inside one goes a long way in keeping your emotions intact, so you can be ready for the next market uptrend. Time out of the market gives you time to review your past



mistakes and read and reread excellent market books to continually educate yourself, as the market is a never-ending learning process. Patience is such an important part of the discipline required that, when practiced and implemented, goes a long way, especially if you plan to be involved in the market for the long term.

Still doing chart work and reviewing weekly watchlists keeps you engaged and on top of the skills needed when things turn around, which they always do. Not getting discouraged and giving up will allow one to take advantage of the next opportunities that come along. And you saw how many opportunities arose during that strong April through August uptrend in 2020. Stocks that declined the least and held up and showed relative strength (RS) during downtrends are typically the best candidates to become leaders when the market begins a new uptrend. Homework is required no matter what the market is doing. Top traders have a disciplined approach to their routines. They keep up the research work no matter what condition the market is in. The difference between their results and others is in executing on their research. If conditions are not ideal, they don't do anything. Many top traders think a cash position in a downtrend is as important as being in leading stocks during an uptrend. And if conditions change, they are ready to pounce and get involved. It's all in the preparation that comes from the work required to stay on top of things, no matter what the current conditions may be.

Waiting for the market to present its Enter sign to begin searching for the next monster stock or stocks is a prudent strategy. Please refer back to the Monster Stock Templates section to look for those types of patterns. Since there are no certainties in the stock market, the one that has historically shown investors the best odds of success is the confirmation of a follow-through day when the markets begin to pick up and start a new uptrend after a correction (that is, a 10% fall from its recent peak) or a bear market (that is, a 20% or more fall from its recent peak). The best confirmations usually occur between the fourth and twelfth days of the upturn. Why? It takes time for more big money funds to start piling into stocks; those investors first have to believe the future prospects look bright for the economy and hence corporate profitability. Some uptrends have also produced major monster stocks that started later, say up to three weeks after the upturn. These more cautious uptrend beginnings have historically not produced the same quantity of monster stocks, but nevertheless they have produced monster stock.

In summary, make sure you know what Stage the market is in. Stage 2 is where the big gains are made and all the legendary traders made the bulk of their profits during that stage.



## Stage Chart

Stan Weinstein's Market  
Stage analysis from his  
book 'Secrets From  
Profiting In Bull And  
Bear Markets'

Cutting and  
Selling  
**Stage 3**

Shorting  
and  
Hiding  
**Stage 4**

Buying and  
Riding  
**Stage 2**

30-week MA

**Stage 1**

Watching and  
Waiting

Source: Weinstein, Stan. *Secrets For Profiting In Bull and Bear Markets*. © Stan Weinstein, 1988. All rights reserved.

### **Do Your Own Study & Research & Don't Listen To Others & Tweak The Strategies To Fit Your Personality**

All the best traders made money by making their own decisions. Listening to others and others' opinions without doing the required homework all led to losses for the best market operators early on in their careers. That is what forced them to study and conduct their own research in order to get on and stay on the profitable side of the market.

Study the best traders and strategies that have worked for decades and then fit them into your system. Tweak the best key lessons to fit your own personality. Everyone is different so you need to find how to implement these key lessons to fit your needs. Each successful trader tweaked the lessons learned from the best traders before them to create a system that worked for them.



## **Buy Fundamentally Strong Leading Stocks in Uptrending Markets When They Break Out of Proper Basing Patterns on Large Volume and Then Use a Pyramiding Strategy to Add to Those Winners**

The key to making the really big money in the market was when these traders had the patience to wait for the market to confirm an uptrend and then they purchased strong stocks breaking out, mostly into new high ground on heavy volume. Then if, and only if, the stock kept moving up as they expected, they would make pyramid or add-on purchases in addition to their initial positions. Strategies varied on exactly how their pyramid buys would occur, but the key was that they added to their strongest stocks in order to compound their gains. The pyramiding strategy, on the buy side (or sell side if you're shorting), is a major buying strategy that led to millions for these traders.

Getting engaged and involved when the market turns around, especially after a major correction or bear market period, no matter how long it lasted, is a key strategy. Many times (most people won't believe it) that is when the best early opportunities will present themselves. Trending lightly at first helps to get a feel for any ensuing uptrend. IBD has a very reliable record for calling the beginning of uptrends. No one knows if a new attempted uptrend will last, which is why you make test or pilot buys to check its validity. If the attempted rally begins to fail, you bail. Also, tracking the H/L/G (along with the IBD calls) is very beneficial. If the H/L/G starts to rebound and trend positively after a big market decline, that can be the sign of a market turning. But most important is the quantity and quality of strong fundamental stocks that resisted the decline, the best with rising relative strength (RS) lines, and solid bases that were built during a declining market. Those stocks tend to break out first and lead when an uptrend begins and sustains. The key lesson here is to get engaged in the market with pilot buys in the stocks you've researched during the decline that begin to move. If you've protected your financial and mental capital during the down market, then you will be in a better position (both financially and mentally) to get involved. If you took some hard hits because of hesitation or denial, which can happen to anyone, then you won't be ready in both capital capacities to perform at your best. And that early time in an uptrend is when the best opportunities begin. All the best traders in history that I've researched found that when markets turn up from a correction and that uptrend persists is when they started to score their best returns.

Once you have the confirmation from the market, begin seeking out strong fundamental stocks, mostly new names and younger companies that have built sound bases during the prior market downtrend. The more confined and flatter the base building period, the better. That means these potential monsters have held up better during a decline and are most likely poised to be the next leaders. This action has played itself out time and time again during the many decades of stock market cycles. The main key to this stage is that the stock has already proven itself from the financial performance standpoint. You want to see strong prior quarters' financial performance of rising sales and profits numbers. The



higher the numbers, the better, and the more acceleration in the numbers, the better still. This is a must requirement of all future monster stocks. When the most resilient fundamentally solid stocks during the prior downtrend break out of their basing periods on strong volume and make either new 52-week highs or, even better, new all-time highs, those are the next potential monster stocks. Buy into them during the breakout to have the best odds on your side. When you see a number of these new young growth companies breaking out, you can be fairly certain the uptrend has some strength behind it and has the potential to sustain. If the rally fails, which is always a possibility, and your new big dreams seem to be slipping away, you need to cut loose and let these failed leaders go. Cutting losses is the number one golden rule in the stock market to make sure you have capital available to go monster stock hunting again sometime in the future when the next market upturn occurs. If the market uptrend persists and continues to drive higher, the new market leaders will be right there with it making new highs. It's critical during this stage that you have patience and see that the best performers are acting right and keep doing so. Acting right means they keep pushing higher with healthy price and volume action. Rising prices on rising volume and pulling back on modest volume is acting right. The very elite stocks that turn into the next monster stocks will behave just like all the examples you have seen in this course. Their major initial move will be strong. Then they will continue rising with the market months into their advance. Pullbacks in lighter volume to the 21-day or 50-day moving average line can occur once, twice, or sometimes three or four times. The stocks can undercut the line and sit just under it if volume levels are normal or below. It's when they slice through it on heavy volume that the big money is leaving in a hurry.

Key technical criteria I discovered that was common to all were moving averages, volume, and price action. When stocks possess action that relate positively to all three, I call them MVP (moving average, volume, price) stocks. Just as in sports or business, your MVPs are the standout performers. It's the same in the stock market. MVP stocks tend to become monster stocks. And monster stocks are the top leading stocks in all market uptrends.

A simple system for grading stocks, which is similar to school grading, is to categorize stocks in a very easy manner. It is best to own only A and B graded stocks.

- A – above the 10/21/50/200-day moving averages
- B – above the 21/50/200-day moving averages but below the 10-day moving average
- C – above the 50/200-day moving averages but below the 10/21-day moving averages
- D – above the 200-day average but below the 10/21/50-day moving averages
- E – below all the moving average areas listed above”



Buy/add opportunities will usually be the following:

- Breakouts from basing areas—preferably on big volume

- Gap-ups on big volume

- Power or pocket pivots within a base on volume

- Bounces off support areas of either the 21-day and/or 50-day area—on volume is best

To summarize the steps from Monster Stocks that historical big leaders all had in common:

- The Setup—waiting patiently for the market to confirm a trend. The beginning of uptrends typically brings out the best leaders that set up the best bases during a correction.

- The Breakout—breakouts out of sound bases on increased volume are clear buy signals.

- After the Breakout—pyramid buys on the initial burst up often pay off if the uptrend persists and the stock follows suit. Support moves off key moving average areas after.

### **Cut Your Losses Short on the Ventures Where You Have Been Proven Wrong**

This again is the number one Golden Rule for success in the stock market. It was repeated over and over from the legendary traders and it was the main reason for Roppel turning his performance around. Without this, you can rest assured your results will be mediocre at best. The very best know this, and they actually improve on it as they continue to go along. While it is probably the most difficult discipline to implement, it is the one that clearly separates the very best from everyone else. What does seem to stay the same from era to era is the amount of successful trades versus the unsuccessful trades. All the best still experienced win/loss ratios of near 50%. O'Neil may be one of the best ever at approximately a 66% rate for successful trades. Roppel's records show a success rate of approximately 55%. Because of that, implementing a strict loss-cutting policy is essential to success and big profits in the stock market. Because no one will be correct every time, it's the ability to enforce this rule that keeps the profits in the expert traders' accounts and leaves the amateurs in disbelief, as they watch their stock keep going down in price and do nothing about it. They refuse to sell because they consider themselves long-term investors, or they have a tip from an expert and there is no way that their stock could decline in price, or because they work for the company, etc. This can create havoc on an individual portfolio. Livermore and Baruch would limit their initial losses to 10%, due to the margin requirements at the time. This automatic rule would force them out, if they were on margin, so there was no holding on forever and wishing and hoping for a rebound from a larger loss. Early on they both violated this rule when not using margin, but then soon learned that the loss-cutting strategy was a crucial rule in keeping their earnings. Loeb and Darvas both mentioned that they cut their losses under 10%. Their strict adherence to this rule allowed them both to keep



their profits. O'Neil constantly reminds traders in his books and in Investor's Business Daily, that the loss cutting rule is the number one trading rule. He advocates cutting losses quickly at 7% to 8% below your purchase price. He has mentioned that he actually averages less than that due to his experience, probably in the 3% to 5% range. With experience, all these great traders cut their losses under their specified maximum limits. If you constantly study the market and see action that does not look right after you're in a position, there is no reason to wait around for an 8% to 10% loss. Take it quickly and move on to the next opportunity. Even through intense study and years of experience, you just will not avoid losses, as the odds and market environment do not allow for a perfect stock-picking record. Even the best hitters in baseball only succeed 30% of the time. Baruch said it best, "No speculator can be right all the time. In fact, if a speculator is correct half of the time, he is hitting a good average. Even being right three or four times out of ten should yield a person a fortune if he has the sense to cut his losses quickly on the ventures where he has been wrong."

### **Hold On to Your Winning Positions Until Classic Sell Signals Tell You to Unload Your Position & Create Sell Rules You Stick To**

This is the other classic phrase that most hear about: "Let your winners run." Again, this is easy to say, but extremely difficult to do. But with practice and study, especially using charts of the best winners from the past, you have already seen many successful traders gain the benefit of this classic strategy. Day trading didn't make the money for these great operators and neither did "buy-and-hold." It was somewhere in between, and it was never the same throughout any cycle. These traders didn't call themselves short or long-term traders or investors. They instead moved with the market and watched their holdings until sell signals warned them to do something. O'Neil will hold positions for years, if they act right. If they don't, he doesn't look at the calendar and say he can't do something because the stock hasn't been held for this or that length of time. If he's close to a tax consideration period, he might work with that on a big winner, but that is a secondary decision, far behind the importance of what the market, price, and volume action of the stock is doing.

Many top traders trade around a core position - holding a part of an initial purchase and then sell off some into strength, buy back certain portions near or at key support levels, etc.

When it's time to sell-sell. When dealing with a monster stock there is a fine line between being patient and knowing when to act and hit the Sell button. After many months of an advancing super stock, watch the market and the stock's price and volume action. Many historical models showed that the monster stocks would begin to slow down as the advance in the price keeps moving upward. In other cases the advance then gets "up in a hurry" near the end. That climax run action, which we saw in Qualcomm and Schwab, is the other major sell signal. In summary, you are looking for the climax run or the slicing of the 50-clay



moving average line in heavy volume. When either one of those occurs, the end is near. Sell and retain your hard-earned, and oft-times emotionally draining, profits. The other major thing to understand when you are about to sell is that the company whose monster stock you own will still be ringing up grand fundamentals. This is not the time to focus on the company's profits and expected profits. The market always looks ahead, and if the best and brightest big money investors start selling, so should you. What they see ahead doesn't matter at the time the stock is topping—that will always come out later. All top traders sell into strength. Selling into strength is a very hard strategy to implement due to how your thought processes will work against that.

Sell/trim opportunities will usually be the following:

- Gap-downs on big volume

- Climax runs

- Extensions in price over 21-day and/or 50-day areas (offensive sell tactics)

- Breaks of prior support areas of the 21-day and/or the 50-day areas on big volume (defensive sell tactics)

The classic monster stock growth selling strategies include sell signals when a big winner breaks the 21-day or the 50-day area, especially on larger volume. The other classic sell signal has been the climax run. Employing MMSS (Maximum Monster Stock Strategy) would consist of tightening that up a bit when the market environment changes. That would mean one could sell or trim positions in those stocks when the moving average for selling is moved up to the 10-day moving average area. Also, selling or trimming positions more often into strength before a climax run occurs is another tighter selling strategy. That type of selling calls for more frequent offensive “scaling out” sell transactions, instead of holding full positions until a classic break or climax run occurs. Selling then becomes more commonplace in choppy market environments. Additionally, not fully waiting for classic extensions off breakouts that reach 20% or 25% before one starts taking profits in a winning stock (a classic selling technique of IBD) is another offensive, tighter selling strategy. Doing that allows one to also buy back positions when rebounds off the 10-day and/or 21-day areas occur—similar to what Livermore mentioned about getting back into the leaders as they started up again after a pullback. Adjusting those offensive and defensive selling strategies can be beneficial when the market calls for it. It's a more active approach than position trading but can reward those who want to stay active in aging uptrends. Instead of riding out those position trades in the strongest leading stocks through their pullbacks or rebasing stages, that MMSS strategy, if done correctly, could compound returns. All that means is one is reacting to what the market and leading stocks are doing as the market cycles through its stages. Staying in the zone and “the now” environment by tweaking strategies when it's called for can help one in future markets when conditions change.



## Some Sell Advice From The Legends

William O'Neil:

Common stock is just like any merchandise. You, as the merchant, must sell your stock if you're to realize a profit, and the best way to sell a stock is while it's on the way up, still advancing and looking strong to everyone. This is completely contrary to human nature. It means selling when your stock is strong, up a lot in price, and looks like it will make even more profit for you. But when you sell like this, you won't be caught in heartrending 20% to 40% corrections that can hit market leaders and put downside pressure on your portfolio. You'll never sell at the top, so don't kick yourself when some stocks go higher after you sell.

If you don't sell early, you'll be late. Your objective is to make and take significant gains and not get excited, optimistic, greedy, or emotionally carried away as your stock's advance gets stronger. Keep in mind the old saying: "Bulls make money and bears make money, but pigs get slaughtered." The basic objective of your account should be to show a net profit. To retain worthwhile profits, you must sell and take them. The key is knowing when to do just that.

Bernard Baruch:

Repeatedly, I have sold a stock while it was still rising and that has been one reason why I have held on to my fortune. Many a time, I might have made a good deal more by holding a stock, but I would also have been caught in the fall when the price of the stock collapsed.

Gerald Loeb:

He didn't have many sell rules when he was ahead on profitable positions, as he relied more on his experience and his judgment. One of his favorite times to sell was when he started patting himself on the back for being so clever and outsmarting the market. This is almost always a huge mistake, and one you should be aware of. This overconfidence has been detrimental to many a stock trader over the years. When you start bragging about how great you are, the market seems to have a magical way of bringing you back down to earth in a humbling manner.



By proper mental equipment we do not mean the mere ability to take a loss, define the trend, or to execute some other move characteristic of the professional trader. We refer to the active or dormant qualities in his make-up; viz., the power to drill himself into the right mental attitude; to stifle his emotions, such as fear, anxiety, elation, recklessness; to train his mind into obedience so that it recognizes but one master—the tape. These qualities are as vital as natural ability, or what is called the sixth sense in trading.

Some people are born musicians, others seemingly void of musical taste, develop themselves until they become virtuosos. It is the I WILL in a man which makes him mediocre or pre-eminent—in Wall Street parlance, “a dub” or “a big trader.”



## **From *Trading In The Zone* by Mark Douglas**

What accounts for the small percentage of traders who are consistently successful? To me, the determining factor is psychological—the consistent winners think differently from everyone else.

Those traders who have confidence in their own trades, who trust themselves to do what needs to be done without hesitation, are the ones who become successful. They no longer fear the erratic behavior of the market. They learn to focus on the information that helps them spot opportunities to make a profit, rather than focusing on the information that reinforces their fears.

The winners have attained a mind-set—a unique set of attitudes—that allows them to remain disciplined, focused, and, above all, confident in spite of the adverse conditions. As a result, they are no longer susceptible to the common fears and trading errors that plague everyone else.

The best traders can put on a trade without the slightest bit of hesitation or conflict, and just as freely and without hesitation or conflict, admit it isn't working. They can get out of the trade—even with a loss—and doing so doesn't resonate the slightest bit of emotional discomfort. In other words, the risks inherent in trading do not cause the best traders to lose their discipline, focus, or sense of confidence. If you are unable to trade without the slightest bit of emotional discomfort (specifically, fear), then you have not learned how to accept the risks inherent in trading.

You will need to learn how to adjust your attitudes and beliefs about trading in such a way that you can trade without the slightest bit of fear, but at the same time keep a framework in place that does not allow you to become reckless.

Remember, the best traders think in a number of unique ways. They have acquired a mental structure that allows them to trade without fear and, at the same time, keeps them from becoming reckless and committing fear-based errors. This mind-set has a number of components, but the bottom line is that successful traders have virtually eliminated the effects of fear and recklessness from their trading.

Excellent traders have learned that it is essential to have internal discipline or a mental mechanism to counteract the negative effects of euphoria or the overconfidence that comes from a string of winning trades. For a trader, winning is extremely dangerous if you haven't learned how to monitor and control yourself.

Euphoria and self-sabotage are two powerful psychological forces that will have an extremely negative effect on your bottom line. But, they are not forces you have to concern yourself with until you start winning, or start winning on a consistent basis, and that's a big problem.

The consistency you seek is in your mind, not in the markets. It's attitudes and beliefs about being wrong, losing money, and the tendency to become reckless, when you're feeling good, that cause most losses—not technique or market knowledge.



Attitude produces better overall results than analysis or technique.

It's a fundamental shift in attitude that accounts for their success, not some brilliant realization about the market.

What separates the best traders from everyone else is not what they do or when they do it, but rather how they think about what they do and how they're thinking when they do it.

The best traders stay in the flow because they don't try to get anything from the market; they simply make themselves available so they can take advantage of whatever the market is offering at any given moment.

If you can learn to create a state of mind that is not affected by the market's behavior, the struggle will cease to exist.

If your goal is to be able to trade like the professionals, you must be able to see the market from an objective perspective, without distortion. You must be able to act without resistance or hesitation, but with the appropriate amount of positive restraint to counteract the negative effects of overconfidence or euphoria. In essence, your objective is to be able to create a unique state of mind, a trader's mentality.

To sum up Douglas:

Traders in the zone don't need to know, and don't care what the market is going to do next. They know what they are going to do next. And that makes all the difference.

Source: Douglas, Mark. *Trading In The Zone*. New York Institute Of Finance, Prentice Hall, 2000. All rights reserved.

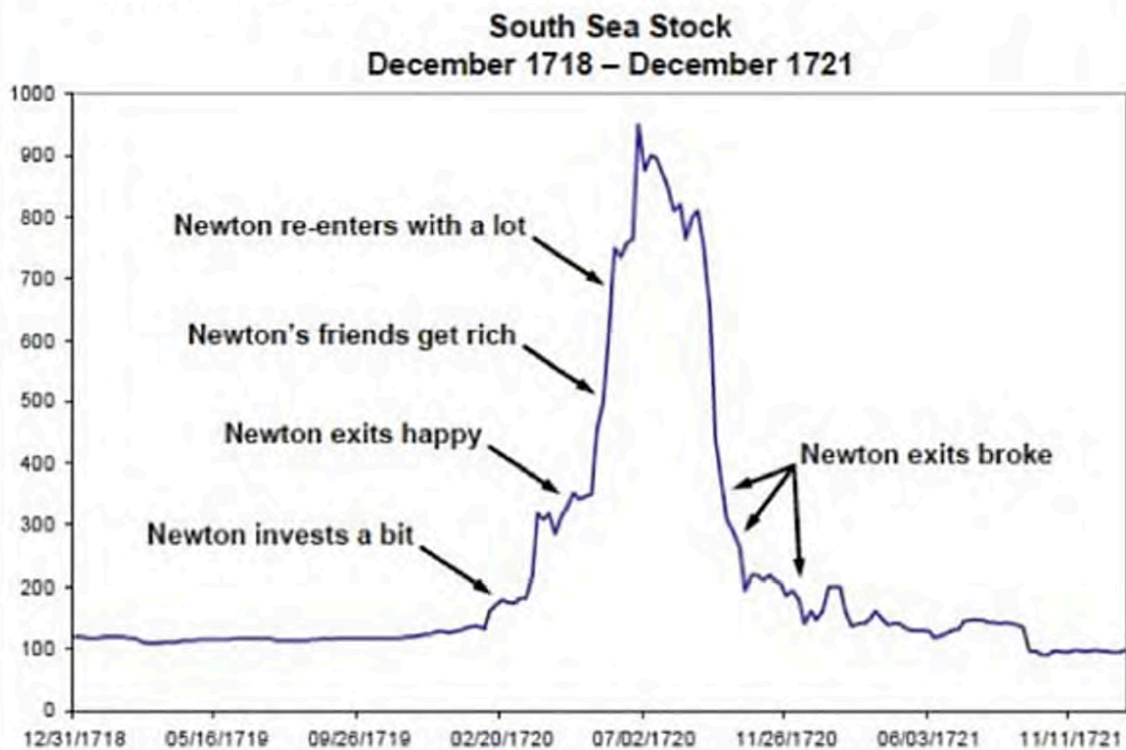
## Lessons Learned from the Legends/Market/Stocks

- **Risk Management is Job #1**
  - Limit your losses – hope is not a strategy
  - Accept the fact that you will be wrong more times than right
- **Stay in Sync with the Market**
  - Make sure the wind is at your back (check the N/H, N/L levels to help determine the strength or weakness of the trend)
  - Hit the gas when the strong uptrend is in place (above all key ma's)
  - Three main economic issues are anticipated/reflected by the market (inflation/interest rates/GDP) – keep an eye on them
  - Choppy markets can grind you out and chop you up unless you're a master scalp/swing trader
  - Down markets are great times to be in cash or short if you know how (but bear markets are shorter than uptrends and short squeezes aren't fun)
- **Fit the time-tested strategies to your own system**
  - Concentration/Pyramiding/Liquid new high growth profit leaders /Bases/Chart work – ma's/New Highs – buy high & sell higher/Sell into Strength
- **Get Your Mind Right**
  - The battle is not you against the market it's you against yourself
  - Learn to trust your intuition and control/stifle your fear, anxiety, elation, and recklessness.
- **Make sure the trio traits are in balance (from Douglas)**
  - Discipline – patience is key. Create rules that don't bend or break.
  - Focus – shut out all the noise and opinions – price and volume will speak to you – listen up. Charts should jump out to you in seconds.
  - Confidence – leave your ego behind and be aware of euphoria creeping in (reduce the Baseball Bat Days)
- **Add Historical Analysis to your Technical/Fundamental/Psychological Analysis toolkit**



"Back in the spring of 1720, Sir Isaac Newton owned shares in the South Sea Company, the hottest stock in England. Sensing that the market was getting out of hand, the great physicist muttered that he '**could calculate the motions of the heavenly bodies, but not the madness of the people.**'

Newton dumped his South Sea shares, pocketing a 100% profit totaling £7,000. But just months later, swept up in the wild enthusiasm of the market, Newton jumped back in at a much higher price — and lost £20,000 (or more than \$3 million in [2002-2003's] money. For the rest of his life, he forbade anyone to speak the words 'South Sea' in his presence."



Source(s): Marc Faber, Jeremy Grantham, Sir Isaac Newton

Newton obviously wasn't a dumb person. He invented calculus and conceptualized his three laws of motion.

But this little episode shows that he wasn't a smart investor because he let his emotions get the best of him, and got swayed by the irrationality of the crowd.

Or as Graham described it: "For indeed, the investor's chief problem — and even his worst enemy — is likely to be himself."



## **FINAL DESCRIPTIONS (from O'Neil, Wyckoff, and Loeb)**

What you must understand, though, is that highly successful investing has nothing to do with your emotions or personal opinions. The stock market doesn't care who we as individuals are, what we think, or how we feel. It's a beast like no other: indifferent to human desires, oblivious to common wisdom, maddeningly contrary, and seemingly bent on confounding the majority at every turn. The only law it obeys is the law of supply and demand. And until you, as an investor, come to grips with this reality and learn to move with the market rather than against it, you'll be plagued by results that are mediocre at best.

To be clever, alert, and not only quick to act, but able to reverse a position at a moment's notice. One should exhibit no hopes or fears. One must participate without a sign of nerves or mental strain; must look upon profits or losses with equal equanimity. One must develop the kind of intuition that becomes a sixth sense. These traits must evolve over a series of failures over many months and years. The education could be completed only through a long series of transactions, spread over long periods, which would perfect the operating personality to carry one through adverse times without discouragement, until one's expert-ness and self-confidence match that of the surgeon who performs many operations, losing some patients but never losing his nerve. Such a man, with such character and experience should be a success in the market.

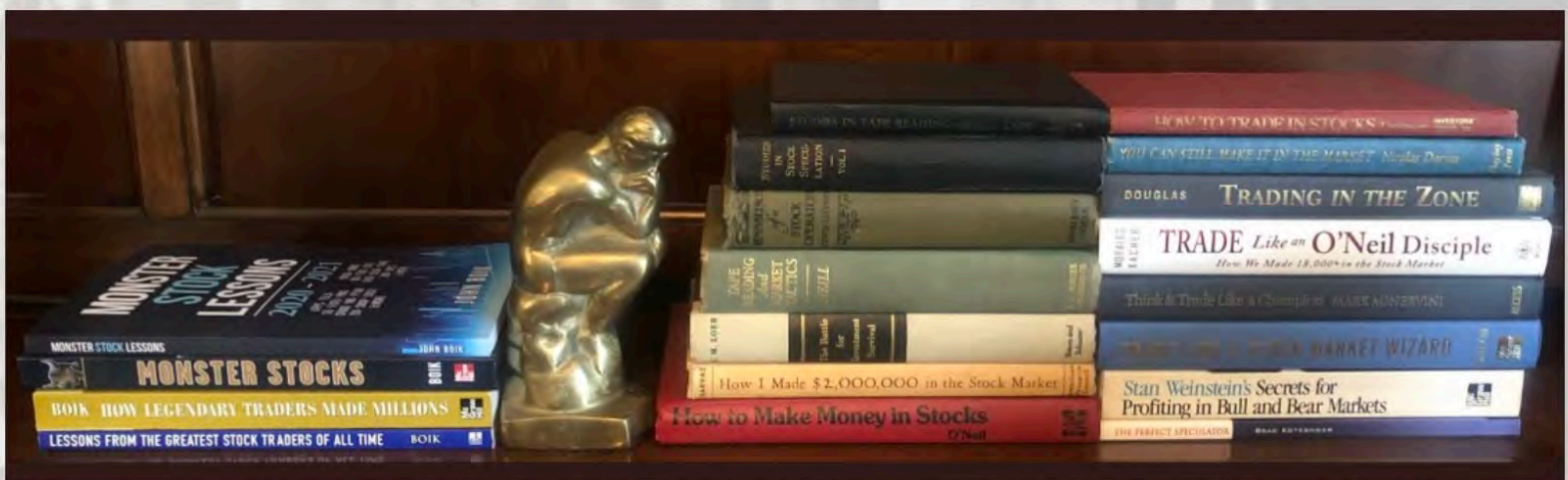
The truly flexible man in the market is the man who can be foolish at times, bullish at times, bearish at times, borrow money at times, be short at times, the person who can learn to be an expert on gold stocks in one period and some other style of stock in some other period. These men are exceedingly super-super rare. But they exist. And these are the men to watch, the men to learn from, they are the men who really make money on Wall Street.



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