VERTICAL MOVEMENTS — THEIR POWER AND USEFULNESS

By vertical movements is meant a sharp rise or a sharp break in the market in which the price continues, with only small reactions, for a considerable distance in one direction.

Thus these vertical movements may be up or down.

In many instances they are very plain as the one in Plate 13, where U. S. Steel rose from 28 to 44 with very little intermediate reaction.

In other instances such moves are interspersed with a number of small reactions like the rise of New York Central from February, 1933 to July, 1933, shown in Plate 2. This is equivalent to a vertical rise regardless of the several reactions on the way up.

As stated on page 185, one of the first market maxims adopted by the author was the "fundamental axiom" that prices always pass over the ground twice.

This is especially true in the gigantic major bull markets as you have just seen. It is also true of lesser vertical movements.

A knowledge of these vertical movements is particularly useful when the movement occurs going through or above the normal zone. It shows the investor that the market is rapidly becoming one-sided, everybody buying, and that it will soon go into the top-making process, where the minor trend line gives the final signal for a decline.

A surprisingly large number of the lesser daily movements follow this law, that is, the price goes up for two, four or six points, then turns abruptly down to retrace the rise.

The last fast stage of a bull market is always a vertical rise and is retraced by the first stage of the bear market, as seen in Plates 24, 25 and 26.

A brief study of the "vertical movements" will add to the expertness of a trader or investor, but these movements do not change the operation of the all-important zones, or of the minor trend line. They are refinements in the trading repertoire.

If the reader was holding long stocks and found prices pushing up through the top edge of the normal zone, he would be very anxious for signs and signals that would tell him that the end of the advance was near.

The vertical rise often takes place as a part of a finishing major advance. A specially fine example of a vertical rise may be seen in the graph of Inspiration Copper (Plate 7, page 103). Note the long rise to F. This is clear because it is not broken by any small reactions.

The vertical rise in Stewart-Warner from G to H, as seen on page 98 (Plate 5), is just as much a vertical rise as the one seen in Inspiration Copper, although it is interrupted by small reactions all the way up. This the author finds the most difficult part of a vertical movement for the investor to understand. He thinks there should be no reactions; else it is not a vertical rise.

Should there be a deep reaction of 50% to 60% of any rise, then that would kill the vertical feature of the move. The market is "adjusted."

What is the cause of the vertical rise? It means an over-urgent demand for stocks. This may be due to short-covering, or to sudden bullish news, or to a "rolling market" where everybody wants to get in on something that looks good.

It very quickly places the market in an overbought position. The topping out is the next step. The man holding long stocks profits immensely and very rapidly when a vertical rise is being
made, but it is time to be getting out. Then is the time to watch critically for the minor trend line top structure, so that long stocks may be sold out. If you cannot seem to locate a minor trend line, better sell out anyway.

Sharp vertical advances, after stocks are up in the supernormal zone, are a warning that the upward move is near exhaustion. "It won't be long now," says the professional bear trader.

The vertical rise may be in the form of several successive days, each one to new highs. Plate 16 shows an example of this where U.S. Steel rose from 52 to 65 in an advance of seven successive days.

Such vertical advances exhaust the buying power and produce another condition. A desire to accept profits is created. A large number of people discover that they have excellent profits and begin to sell out. This halts the advance.

A small top-making vertical rise happened after the November, 1938 election, when U.S. Steel rose five successive days to 71 1/4. This was a burst of emotional action in stocks. Everybody who owned the stock between 38 and 70 had a profit.

Since a large majority of traders are in the market for short turns, they are sure to start a selling movement after sharp rises.

Sharp vertical advances are started by the arrival of specially favorable news or some condition that kindles a fresh hope of profits to be made. But the majority of traders will begin to accept these profits when made and there is no stemming the volume of selling, once it sets in.

Vertical breaks are sometimes terrific, especially those which start near the top of a great bull market, such as the one of 1929 in stocks and the one of 1933 in wheat. The investor should study the use of the minor trend line assiduously when his stocks begin to rise feverishly into the rosy areas of the super-normal zone. In this way he can avoid the fate of many a hapless investor.

As a bear market gets below the normal zone into the subnormal, breaks will become less aggressive as traders are few and the volume light. It is then time to buy, and especially good purchases can be made if bought on a sharp dip of 5 to 10 points in the active issues—provided they are in their subnormal zones.
AN EXCURSION IN PROFITS

The reader is invited to take a trip with us through the surprising activities of Atchison Railway, a stock of national popularity. He may want to use it some time. It is one of the best.

Being a big stock and with only 2,427,000 shares, it is capable of unusual activity. The more shares a stock has, the more buying and selling it requires to move it a point. The less shares, the more sensitive the action.

But besides taking an excursion in profits, the reader will be lifting the lid en route to view some extremely interesting secret habits of this stock and, in fact, of all stocks. Men are close-mouthed about their stock deals. "Your best friend won't tell you" what stocks he bought or where he bought them, but he cannot keep the ticker tape from telling his secret. Add one day's action to another and soon you have a chapter in the history of a stock.

Atchison is selected for our profit excursion, because it is not only fertile in profits but supplies abundant examples of the three basic types of action so necessary to the investor.

The reader is reminded that the Triple Zones are by far the most important, and that it is possible to trade with success using the zones only. However, there are times when a slow-laboring market tends to discourage or confuse the owner of stocks. He needs additional helps to keep him apprised of the progress of his deals.

Plate 26 contains nearly six years of Atchison—about 1,800 days. While the graph is greatly condensed, the tops, bottoms and dates are practically correct.
This is a true history of the action of Atchison, and if you could have actually started in the stock with 100 shares where we are going to take you aboard, you would have come to the end of your journey in 1937 with a considerable fortune.

But do not for a moment consider your opportunity lost. Atchison will repeat its performance and scores of other stocks will achieve equal movements. Early in March, 1938, we find Atchison is standing at 24. Only once before in six years has it been purchasable at this price—in 1932.

We turn back a few pages of time to 1932 and step into Atchison to the extent of 100 shares at about $20 per share, at a cost of $2,000. Starting from about the point A as noted in Plate 26, we go to our first destination at B. There you sell out the 100 shares at, say, $60 per share and are ready to go back down to C on Atchison, not with the 100 shares, but with $6,000 cash in your pocket.

That rise in Atchison from A to B was a small bull market and also a vertical rise. It got so far into the super-normal zone at B that our tourist knew well, from what has gone before in this book, that his 100 shares should be sold. Many people feel so good over their stocks after such a rise as this that they decide to put them away and “forget them.”

Never does an investor make a greater mistake.

If you had before you a daily graph of Atchison while it was making that top at B, you would see how well the “Minor Trend Line” (Plate 12) would have pointed out the selling place for you.

Then followed the long dull winter movements until February, 1933. Such inactive periods try the trader’s patience severely but the one who sticks gets the big reward. Note how quickly the money was doubled on the trip from C to D.

Without taking time for minor details of the trip, the most memorable points of interest would be that you went through the balance of the financial journey about as follows:

Starting with an initial sum of $2,000 you would finish with the very comfortable sum of $42,500.

It is a fact that if you had known and used one thing only—the zone system—and had simply bought Atchison at the lower edge of the normal zone and had sold it at the top line of this zone, you would have come through with $21,200.

By the use of the minor trend line and with the beneficent help of the famous old leader, U. S. Steel, it was possible to double the $21,200.

Two highly interesting facts are notable with the closing days of 1937.

Atchison, around 24, is in the sub-normal zone and in a fine position to be purchased. Furthermore, our tourist has his $42,500 and is in a fine position to buy it.

He could buy over 1,300 shares at $28, or 1,800 shares at $23 on its final dip to the March low.

The most difficult time to make a decision would be around the point C, when Atchison refused stubbornly to break below the normal zone. But this is overcome by using U. S. Steel as the guide. It was deep in the sub-normal at that time.

It would be possible to go through hundreds of stocks showing results similar to this “trip” in Atchison.
SHORT-SELLING

IS IT GOOD, BAD, SAFE OR UNSAFE?

The policy of this book is against short-selling, but since it is a controversial point with thousands of traders, some discussion of the subject is due our readers.

Short-selling is an integral part of speculation. It is also a feature of many large business transactions outside of the markets. When a contractor agrees to build a bridge for a certain sum, he is a short-seller. He may not have a bar of iron or a single bag of cement, and may not have an employee. Yet he sells a bridge to the county.

He knows where he can get all of the things needed for the bridge.

The short-seller of stocks believes he is going to be able to buy them cheaper and thus reap a reward. But here is the difference:

The first act of the contractor is to begin buying. He promotes prices.

The first act of the short-seller is to sell something. He depresses prices.

Whether there is anything moral or immoral in selling short in the speculative markets is a point of ethics too fine to have any appreciable effect upon the mass mind, but there is a certain personal retrogression in the short-selling habit that is definitely harmful.

You can buy stocks outright, but you cannot sell them short "outright." In short-selling the trader is trading purely on margin. He is entirely outside the pale of the investor. The buyer of stocks owns something if he buys outright. The short-seller owns nothing but a hope or a guess.

It is contended that short-selling is useful, since it acts as a "cushion" in a breaking market, because the short-seller will eventually buy in his short trades and help halt a decline. This is true, but it makes the short-seller the "goat."

"But," says the short-seller, looking at the Atchison graph of Plate 26, "isn't it just as certain that you will make a profit by selling short at G and buying in at H, as to buy at F and sell out at G?"

And he is right.

He would make an equally good profit but would be cultivating an extremely bad habit. He would be reducing himself from the rank of investor to the status of a short-selling margin trader with a penchant for in-and-out trading. Briefly stated it may be put this way:

Margin-trading takes big risks for big profits.
Investing takes mild risks for mild profits.

It must be acknowledged that there are many who have developed a taste for short-selling and that they must be reckoned with in the market. Unquestionably, they have a valuable place in market action, though at times to their personal loss.

The lure of quick profits on the short side tends to draw traders into short-selling. The break in stocks from August, 1937 to December, 1937 was almost as much as the two years' previous bull market rise. This is seen in the graph of Plate 21.

To make much money in a very short time is delightful to the operator but dangerous to his financial stability.

In viewing the case with which the market position is determined by the Triple Zone System, it would be natural for the trader to attempt to follow the market both up and down,
since he has the zones to point out the buying and selling places, but there is danger in the fact that it may change a stable-minded investor to a margin trader. But if you must follow the short side, by all means use the zone system.
INVESTMENT DIRECTLY FROM THE HOME

So simple is the Triple Zone System in actual use that anyone may go about the business of investing his or her money directly from the home or office and without in any way disturbing his course of life otherwise.

There is no great risk in buying stocks when they are in their sub-normal zone, and it is easy to tell when they are in that zone as you have seen in the graphs of this book. Most of the stocks have been down in the sub-normal zone five times since 1932. In that time you would have had five times to invest and sell out for a profit.

Investment does not mean buying a stock and forgetting it. Investing is only half of the deal. Taking profits is the other half. When profits are made, they should be taken.

At this writing there are 640,000 persons owning shares of the American Tel. & Tel. Co. The average is 29 shares per stockholder. It is safe to say that thousands of these holdings have been permitted repeatedly to run far up into the super-normal zone without accepting profits, then back down to the sub-normal again.

If followed by the zone plan, the person with 29 shares could have increased his holdings to 52 shares, and could have sold out in the spring of 1937 for $8,750. His trouble in making these sales and repurchases would have been almost nil.

The big business of life is making money for a living and for leisure. To accomplish this quietly and in ample amount without strain and without disturbing one's regular course of life is a matter of deep satisfaction to ambitious people.
To achieve this desired result, nothing is equal to trading in sound stocks with a competent system.

There is, therefore, offered here the Triple Zone System of this book as a better way to make money and, in the pages following, there is laid before the reader a home plan for selecting and using from one to several well-known stocks either singly or in a diversified plan.

To fit the purses of different people, a schedule is herewith outlined for using the zone plan taking different-sized lots as follows:

- Trader A deals in one or more lots of 20 shares each.
- Trader B deals in one or more lots of 50 shares each.
- Trader C deals in one or more lots of 100 shares each.

The five charted stocks which follow are intended as examples. The operator can choose other issues if he prefers, as the trading plan is the same in all stocks, whether they be large or small.

Start with a single lot of 20 shares in one stock, if finances prohibit a larger program, but always buy your stocks outright. It is a matter of enviable thrift that a person of moderate means plans systematically to improve his financial status. Many large fortunes had small beginnings.

The difficult part of a personal financial program of stock-buying is to remain undisturbed through the occasional long periods of dull action. The market cannot be hurried. Impatience may induce you to shift to another stock or to sell out and upset your well-laid plan. Start your program with the intention of seeing it through.

Starting from scratch in your home investment plan, the first thing to do is to determine what stock or stocks you intend to use, and to procure graphs completed right up to date, so that you can gauge the position of the issues before you make your purchases.

The graphs in this book have necessarily been greatly condensed from office graphs 18 inches wide and 24 inches long. Larger stocks have still larger graphs.

The graphs that follow will serve to show you the plan of operating, but if you can obtain or make up accurate graphs for your future operations, it will be well to have them larger and more complete.

Our wish now is to have the reader go through the very simple details of the Triple Zone System as pictured in the following five graphs (Plates 27 to 32), making his theoretical purchases and sales so as to get the "swing" of the system. Right while he is going through the past history of these issues, he can be starting his intended financial program. That is, he can be making his purchases—if the position happens to be right—preparatory to following the next move through.

At the time of this writing, stocks have just touched slightly new lows (March, 1938) and, being well down in the "investment area," would be in an excellent position to start a home investment plan.

If, when this book comes to your hands, you wish to start your program, note first of all whether the stocks you select are, or have been recently, well down in the sub-normal zone or investment area, and if U. S. Steel also has been in its sub-normal zone. If so, it is a safe time to buy. Decide upon the amount of money you can conveniently use and make the start. If you cannot buy but one stock, go ahead. Perhaps you can take two or more the next time.
A BETTER WAY TO MAKE MONEY

This is your first deal in Vanadium. You can now put your money in the bank and await the descent of Vanadium to the sub-normal zone again. It arrived there in March, 1933.

Moving ahead rapidly with our home investment program, you take advantage of the break below the normal zone shown at C to make a purchase, say at 9. Turning to Plate 12 it is noted that the leader, U. S. Steel, is also in the sub-normal zone at this time.

Again the reader should be reminded that all space below the normal zone is the sub-normal zone or "investment area." Whenever a stock declines to this area, it becomes a manifest purchase. Therefore:

Trader A buys 45 shares at 9, paying .................. $ 440
Trader B buys 120 shares at 9, paying .................. $1,100
Trader C buys 240 shares at 9, paying .................. $2,200

The profit comes swiftly, this time in four months. At point D Vanadium is up through the normal zone and 9 points up into the super-normal zone and clearly a sale with the confirmative help of the minor trend line (Plate 12). The profit is very satisfactory.

Trader A sells out at 34 around D for .................. $1,530
Trader B sells out at 34 around D for .................. $4,080
Trader C sells out at 34 around D for .................. $8,160

With the simplest kind of systematic trading the home investor has, in little over one year, used two major movements, securing a profit of over 1,000%, and has owned his stocks outright through both deals.

The money can be placed in the bank to draw savings interest until Vanadium again descends to the sub-normal zone, which happened promptly as noted at October, 1933.

"Cutting across lots" to finish the Vanadium deal, now that you have the swing of this simple system of buying in the sub-

VANADUIM—FIRST SELECTION

This popular medium-priced issue in the steel group has the advantage of exceptional activity. A chart of the movement of the stock is shown in Plate 27. The dotted center line is run through the mid-way point of the first major advance from A to B. On page 67 is a description of the method of placing this center line and the heavy black lines of the normal zone. On June 1, 1932, Vanadium sold at 5 1/4, which was its low price for the depression. Chrysler sold at 5 about this time. This is the place to start.

The plan of trading is very simple. You make your purchases in the sub-normal zone and take profits when the stock reaches the super-normal zone. These zones are easily laid off when you have a graph of the past action of the stock.

It is assumed that the investor buys his first lot of Vanadium, say around 7, in the sub-normal zone.

Trader A buys 20 shares, paying .................. $ 140
Trader B buys 50 shares, paying .................. $ 350
Trader C buys 100 shares, paying .................. $ 700

Having made these purchases, the three traders may hold until the stock rises through the normal zone to some such point as B, September 6, 1932. The approximate turning place for this top is determined by using a minor trend line on the Vanadium chart (that is, the full-sized chart) and by the minor trend line shown in U. S. Steel, seen in Plate 12.

Trader A sells out around 22 for .................. $ 440
Trader B sells out around 22 for .................. $1,100
Trader C sells out around 22 for .................. $2,200
A BETTER WAY TO MAKE MONEY

normal and selling in the super-normal zone, we will come quickly to the conclusion and see how we stand financially in March, 1937, some five years after the start in 1932.

All three traders would buy around E and sell around F, then buy at J to sell at K, which winds up the deal.

How does the investor stand at the end of the first five years? That is the all-important question. He is after profitable results—good results—and this is how he comes out at the finish:

Trader A sells out 340 shares around K for .......... $11,900
Trader B sells out 950 shares around K for .......... $33,250
Trader C sells out 1,900 shares around K for .......... $66,500

This amounts to a profit of about 85 to 95 times the original investment. The income tax feature is less expensive, since the income is spread out over five years.

Admittedly this appears as an impossible feat, but it will be seen, by following the plan through on the graph, that the above is the correct result. We need not take the commissions into consideration as the dividends often more than pay these.

Vanadium is a very active stock and secures better results than many others at the same price.

Extra-cautious investors could adopt the plan mentioned on page 203, of buying at the bottom line of the normal zone and selling out at the top line of this zone and still make a good profit. In the case of Vanadium it would be between 500% and 600% profit on the invested capital in five years.

It is possible to make considerable errors, such as buying too soon or selling out too soon, and still earn an extraordinary profit.

In taking a diversified list of stocks, some stocks will far exceed others in money-making possibilities. Sudden new developments may start any one of the list into speedy action.
The older, "well-seasoned" stocks, however, have usually developed their characteristic action. The investor will do well to inspect graphs of a number of issues to ascertain their style of action before making purchases.

AMERICAN RADIATOR

This is a well-known stock in the housing group expected to enjoy a considerable period of increasing business under the new housing plans by the government and the natural construction development following a protracted business recession.

The plan of operating is exactly the same as in Vanadium. In studying the plan of home investment, it is necessary to go back to some favorable starting time, like the bottom made in 1932 (Plate 28), and follow up through the past action, step by step, just as the medical student must start with the rudiments of his intended profession and work up toward graduation.

But this investment plan is much simpler than the preparation for a profession. You can start the day or week your stock shows on the graph that it is properly down in the sub-normal or investment zone. You can, while running through the few pages covered by these five home investment stocks, be starting your purchases for the new campaign. It is seen that these stocks are all in the sub-normal zone or investment area ready for the new start.

American Radiator covers only one-third as much space on the graph as Vanadium. It shows three good trades while Vanadium shows five in the same period.

Without taking space to print all the details of trading, it is seen that three purchases are made at A, C, and E on the graph and are sold out at B, D and F.

In this stock the last trade is finished early in 1936, at which time many stocks ended their major moves.
AMERICAN RADIATOR is the largest concern making heating, plumbing and air-conditioning supplies in the country. The company is adding blowers, fans, tanks and similar conveniences to its line. It serves homes, office and business buildings, and on account of the belated expansion in housing is expected to enjoy a decided increase in business. It is one of the best prospects for a major advance. It has (1936) 10,645,087 shares common stock, no-par, and has marketable securities more than equal to its current liabilities.

The extra sound condition of this stock appeared in 1935, at E in the chart (Plate 28), when it refused to break to its sub-normal zone along with U. S. Steel and other stocks.

Trader A invested $80 in 1932. Sold out in 1936 for $1,850.
Trader B invested $200 in 1932. Sold out in 1936 for $4,675.
Trader C invested $400 in 1932. Sold out in 1936 for $9,350.

About twenty times the investment made at the start.
A BETTER WAY TO MAKE MONEY

The point is that a small variation of this normal zone will in no way lessen the advantage in trading, and besides it eliminates the use of fractions.

A daily chart of Texas Pacific Land Trust, made on a larger scale than Plate 29, would spread it out much wider and would show the normal zone more clearly. It is necessary to condense greatly to get a five-year chart on one page here.

Five deals are possible in this stock over the same period in which Vanadium gave us four deals and American Radiator gave us three.

But its activity is within a narrow range; hence it is not nearly so profitable as Vanadium, which is a more "volatile" stock, as it runs rapidly from a low price to a fairly high figure.

The trader will hear much about this or that stock being "too speculative" and therefore to be avoided, but this is not borne out in practice. Profits come from action.

The active issues are made more active by trading. People who like the issues trade freely and rather heavily in them. Case Threshing is a good example of a fiery stock. Yet it runs as true to market laws as U. S. Steel does. The largest profits are made by appreciation in price. Crucible Steel and New York Central are old stocks famous for action and, though they pay no dividends at present, they would have been far more profitable than the slow issues, such as the tobaccos or Corn Products, over the past five years.

When you invest in shares, it is not with the idea of permanency, such as is felt when a real estate investment is made. You can sell your shares at a moment's notice, but not your house or lot. Shares are to be bought and the market watched. Prices move ceaselessly and visibly for your stocks, but not for your real estate or your farm mortgage. The Triple Zone System teaches the investor to make purchases of stocks when their next move will be in favor of the buyer, but he must sell out when the selling signal is given.
Following the simple routine of buying in the sub-normal zone and selling out in the super-normal zone, the three traders fare thus:

Trader A buys 20 shares at A, sells at B........... $ 160
Then buys 40 shares at C, sells at D........... $ 400
Then buys 60 shares at E, sells at F........... $ 660
Then buys 80 shares at G, sells at H........... $1,040
Then buys 100 shares at J, sells at K........... $1,400
Starting with $60, this trader ends with........... $1,400
Trader B starts with 50 shares, ends with........... $3,640
Trader C starts with 100 shares, ends with........... $7,280

Note the excellent new buying position at L (Plate 29).

The most puzzling point to the investor for the whole five years of Texas Pacific Land Trust is as to whether he should buy around that date, June, 1936. Even U. S. Steel was not clear in its indication (the only time in five years), but several other stocks like Vanadium and Republic Steel showed a buying position.

The list of five stocks included in the home investment plan may be compared with graphs of other stocks in this volume to discover which may be used to the best advantage. In these you already have the zones plotted up to the time of this writing.

Of the 1,300-odd stocks now listed, there are probably 300 that represent the trading group. Financial journals select certain stocks which, in their judgment, have good prospects, but the investor, before buying, should first inspect a graph with the zones laid off thereon. It might tell a very different story. Remember that a stock will give its best "analysis" when squarely at the top of a big move. It is at this time that Position is immeasurably more important than the earnings or dividends of the stock.

The investor with a few hundred or a few thousand dollars to invest will do well to inspect the charted action of a dozen or more stocks. Take no one's flat opinion. Let the stock tell its own story, and get the truth. The position of a stock will be shown exactly in a graph, and a dozen experts could not furnish better information.
SELECT STOCKS WITH GOOD HABITS

In a list of five stocks you will have as many different styles of action. A stock "grows up" to have a character of its own, just as a child develops an individual character. In the five stocks selected for the home investment plan, you will find each one differing from the others.

One is volatile or active, like Vanadium, which runs swiftly to sharp tops and bottoms and makes extra good profits.

Another is somewhat ponderous, like American Radiator, which pauses a long time after each gain. It has virtue because of stability.

Still another stock is quietly active and moving in some direction all the time. Texas Pacific Land Trust is an example of a stock very little disturbed by flashy events that startle the general market.

Bendix Aviation is perhaps the most orderly of the five stocks. It has good action and is much traded in without going wild over its popularity. Such stocks are excellent moneymakers.

Least interesting and profitable of the five is the Pure Oil Company chart. It takes a long time to get started, and goes to its destinations so deliberately that, for example, it gave the investor only two profits in the six years of its charted action. (See Plate 30, page 228.)

Selection is immensely important, but must be made from the charted action of a stock showing its characteristics for years back. To attempt to select good issues by reading their past earnings and financial set-up is unsatisfactory. You have the proof of this in the five well-known stocks in this home investment plan. The careful investor will inspect the action of ten or a dozen issues before placing his money in any of them. He would not select an issue having dull action, like that of Pure Oil. It is placed in this list of five stocks as the type of stock not suitable to the plan.

Whatever style of action is possessed by a stock in its early existence is likely to cling to it for years or perhaps for its entire life. This is because of the temperament of the traders who happen to be attracted to the stock.

Case Threshing Machine Company started out as a "race horse" of the market years ago and has never lost its characteristic action, although it has passed through many surges of prosperity and adversity.

Lorillard Tobacco Company, a wealthy concern of long standing and with only 1,872,000 shares, undulates sedately and narrowly through the years, evoking only a mild interest in the minds of speculators.

The speculative energy must be reckoned with in the making of money. It is not to be avoided but to be favored. Choose active stocks that show they have the interest of an active speculating public. Bendix Aviation is an excellent example of a stock with good and profitable action. It may be expected to maintain its characteristic action indefinitely.

Search the list of stocks for such profitable performers as Bendix, Western Union, Vanadium, Bethlehem Steel, Douglas Aircraft, Inspiration Copper, Anaconda Copper, Deere & Company, New York Central Railroad, Republic Steel, and American Radiator.

When you trade by the zone plan you need have little fear that you are indulging in a "too speculative issue." When a so-called "speculative" stock breaks down to its sub-normal zone, you may be sure that it is drastically liquidated—much better than the "investment stocks"—and is therefore in better and safer position for a purchase.
Both investor and trader should remember that the *best profits are made in price appreciation.* Both are using the market for the purpose of making money. Therefore, the sensible thing to do is to search the big list of stocks for good movers that pay a dividend, but not to turn down a popular, active stock because its dividends are temporarily suspended.

### PURE OIL COMPANY

The technical end of the depression of 1932 was in July, when U. S. Steel and the Dow-Jones Industrials finished their declines and began the first post-depression bull move lasting from July to September.

Pure Oil Company did not share the enthusiasm of other stocks in 1932, and covered a range of only about 3 3/4 points in the 1932 advance—too small to take advantage of. This would have been a hint to any investor making a selective list of prospects, to avoid Pure Oil, not on account of its finances but because of its action. If it was inactive in 1932 when others were active, it might be expected to fall behind others in its response to other major movements.

To make money for the trader and investor a stock must move upward to where it is a sale, then turn downward to where it is once more a purchase.

The more frequent these journeys from the sub-normal zone up to the super-normal zone and back down again, the more profitable and interesting is the stock.

It was possible to secure only two good profits from Pure Oil over the last six years. During the same period at least three good-sized profits were available in most other stocks and certain ones furnished four or five profits in as many major bull markets.

The stocks, large or small, which keep in fairly accurate step with the movements of U. S. Steel are amongst the best selections. Bendix Aviation, Vanadium, Atchison, and Anaconda are examples of good imitators of U. S. Steel, but there are many more of them to be found in the list of New York Stock Exchange stocks.
What is the most important thing for you to know about a stock which you contemplate buying?

*Its present position.*

All other things are of secondary importance, including its activity.

"**INFORMATION WANTED**" is the perennial request of investors. People holding stocks desire a frequent appraisal of their values. This is an intelligent request and if answered intelligently is of great help. All stock market services and analyses make a special feature of advising clients as to the "position" of their holdings and whether certain of their stocks should be sold, held or switched.

The chance for error in these analyses is great because the analyst is likely to rate the value of a stock by its favorable or unfavorable statistics *at the time of his analysis.*

It is perfectly natural that the rating of any stock will be the highest when it is up in the super-normal zone—*yet it is a sale there!*

It is also natural that a stock will show its poorest rating in a time of depression when the price is well down in the sub-normal zone—*yet it is positively a purchase there!*

Thus it would be easy to make an error in the proper buying place for a stock by analysis.

**But It Is Almost Impossible to Mistake the Proper Buying Level When Using the Triple Zone Plan.**

With the zones you make your own analysis.

About the time of this writing stocks are having a drastic break. Every issue is in its sub-normal zone. U. S. Steel has touched 38, March 31, 1938, and the Dow-Jones Industrials 97.46. The rails, handicapped by adverse legislation, have sunk nearly to the lows of 1932. The public is in a state of fear,
asking whether we can ever get out of this precarious depression. The same questions were asked in 1932.

But through this emotional fog shines a silver lining. Market history tell us that a sub-normal position is always followed by a Major Advance.

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BENDIX AVIATION CORPORATION

"Bendix" is popular with traders and is engaged in making an assortment of instruments and fixtures used by autos and airplanes. The more popular a stock is, the larger its volume of trading and the more accurately it will follow the emotional waves of buying and selling in the market.

Bendix stock shows four very excellent major bull movements from 1932 to 1936; in fact, one every year.

The most difficult feat for the investor and trader, and one in which he should school himself, is to have the moral fiber to buy stocks when they are down in the sub-normal zone. When they are thus low the news is full of gloom and forebodings. Men seem to fear some impending evil. This is the time to buy, and the zones show this faithfully.

Very few had the "nerve" to buy Bendix in 1932 around that $5 price, but those who did buy had their money trebled very quickly.

It may be taken as a truth that most investors did not buy Bendix in any of these four bull moves until it was well up, almost through the normal zone.

Furthermore, it is highly probable that the most rapid or frenzied buying took place when Bendix was rising above the top edge of the normal zone. That is a universal habit in the market And Entirely Wrong!

The purpose of this Triple Zone System is to show Why this is wrong, and how profitable and easy it is to buy right and sell right, and how this may be done with the charted action of stocks, irrespective of news, statistics, or other temporary influences.
Bendix Aviation Corporation makes auto parts, self-starters, carburetors, instruments, etc. Aircraft takes 15% of its business, particularly radio equipment. The company has close affiliation with General Motors, which holds 500,000 shares of Bendix Aviation Corporation (December, 1937).

A BETTER WAY TO MAKE MONEY

Into the six years of Bendix charted in Plate 31 may have gone the study, thought and investments of ten thousand men. The Triple Zones show you how to organize and use this knowledge for your personal profit.
QUESTIONS THE READER MIGHT ASK

But these graphs cover only six years. Will stocks continue to perform this way in the years to come?

Amongst the oldest stocks are the railroads, some of which, like the Erie and the Union Pacific, are over forty years old. They have figured actively in major bull markets. These have, all the way back, the same type of action as the stocks shown in the graphs of this book. There is no way a stock may escape making its three zones.

What if a stock that has been carefully selected later meets adversity and is threatened with bankruptcy?

If a stock persistently declines while the Dow-Jones Averages are going up, get rid of it. There are a few such extraordinary situations which may arise, but only a few.

In stocks, should one avoid the “cats and dogs”?

Yes, but it should be remembered that all small or low-priced stocks are not necessarily of the “cat and dog” variety. Some low-priced issues are of excellent quality. Chrysler sold for $5 in 1932. The real “cats and dogs” are low-priced bankrupt issues, or those in receivership or litigation. They usually have a small upturn in a major advance that invites buying. But there are plenty of sound stocks to trade in, without risking money in this low-grade stuff.

What if an investor first learns about the Triple Zone Plan and wants to start with it when the market is far on its way? Can he still get in safely?

He should promptly get graphs of the stocks in which he is interested to learn their position. If his intended stocks and U. S. Steel are on their way up from the sub-normal zone, they are a purchase for a further advance through and above the normal zone. Once stocks, especially U. S. Steel, have been well down in the sub-normal zone, they are practically sure to rise well into the super-normal zone.

Is a stock always a sale on reaching the super-normal zone?

Not immediately. A carefully made graph should be kept of the daily action of the stock and of U. S. Steel. From these it is often possible to follow an advance well above the normal zone by watching for the appearance of the minor trend line.

Why is the minor trend line so important?

Because it gives the earliest possible signal of the reversal of the market. It can be used only at the top of a move—not at the bottom. The swiftest part of an advance is after a stock gets above the normal zone. The minor trend line helps the investor to follow his stock close to the top limit. Plate 12 shows the use of the minor trend line.

From what groups of stock can the best selections be made?

Aim to get into groups having promise of special business development or volume. For threatened war the coppers, steels and chemicals are popular. For the developing air commerce the aircraft stocks, and accessory issues like Bendix, Sperry and Aero Supply are popular. When heavy relief expenditures are being made, the merchandise stocks—Sears Roebuck, Penney, Montgomery Ward, and Woolworth—are favored. Gold stocks are good if devaluation of the national currency is probable. If the new “housing” campaign thrives, American Radiator and Johns-Manville should prosper.
Why is U. S. Steel nearest to a perfect leader?

Because steel enters more nearly into every home and into universal needs than any other commodity. Steel is the world’s greatest non-food commodity, while wheat is the world’s greatest food commodity. These two commodities lead in their respective markets. Furthermore, the operator becomes proficient in the use of one stock as a leader. To attempt the use of even a half-dozen popular stocks will confuse rather than simplify one’s trading.

What class of stocks is most profitable for the person with moderate funds?

The smaller or lower-priced issues which go down to around $3 to $5 during bear markets, then advance to $20, $30 or $40 per share during bull movements. A $3 stock may treble in price in a few weeks or less, while a $40 stock may take a year or more.

What is the most difficult part in carrying out an investment program like the “home investment plan”?

Most difficult of all is to maintain one’s patience during the dull periods when stocks seem to get nowhere. The investor may come to believe he has the wrong stocks, and may try to improve his chances by switching to other issues—which may be still worse. Dull periods are usually followed by faster action. Often a move that has dragged for six or eight months will suddenly develop speed and finish in a few weeks.

Why is margin-trading not advisable?

Because it makes the trader subject to greater risk financially and besides exposes him to the vagaries of personal temperament. A margin trader is badly upset by a moderate break that does not even ruffle the trader who owns his stock outright.

A BETTER WAY TO MAKE MONEY

How much of one’s surplus should be used in the purchase of stocks for appreciation in price?

If U. S. Steel and stocks generally are down in the sub-normal zone, one can use 60% of his capital. If prices have climbed up into the normal zone, it is well to employ one-half or less of funds.

When purchases are made, should the certificates be obtained?

Yes. You can then place them in a safety deposit box and close your account at the broker. You may want to use another broker next time. But keep your eye on the market. Be quick to take the stock certificate out of your safety box and sell it when it gets into the super-normal zone.

Briefly stated, what are steps from start to finish in buying a single stock for a prospective move?

While these instructions appear in different places throughout the book, they are repeated here in brief form:

1. Have money you can spare. Don’t borrow it.
2. Select five or more stocks that appear good.
3. Secure graphs of all of them for inspection.
4. Determine which has had the best past action.
5. Note the position of each—in which zone.
6. From a graph, note the position of U. S. Steel.
7. Buy any stock if U. S. Steel is in the sub-normal zone.
8. Take your time, buy on a reaction.
9. Ask the broker for certificates of all purchases.
10. Ignore market comment. Hold confidently for an advance.
11. Keep a chart of each stock. Mark it up daily.
12. Remain undisturbed during long dull periods.
A BETTER WAY TO MAKE MONEY

13. When stock gets above the normal zone, be vigilant.
14. Market will become more active, but keep steady.
15. Keep trying to fit a minor trend line under U. S. Steel.
16. When U. S. Steel breaks below its minor trend line, SELL OUT.
17. Put your money away and wait for the next break.

The investor will find the above list of instructions a pleasure to follow, because they are helping him to make money, and since it takes but a few minutes' time each day to mark up a chart, he can keep up a diversified list of several stocks and not miss the time so spent.

*Should only stocks paying a dividend be bought?*

Many large concerns and investors will buy only dividend-paying stocks as they must show some kind of returns for their investments. This makes dividend-paying stocks appear best. The Triple Zone System enables the investor to secure both the dividend and the speculative profits. However, the best dividend-payer may not equal in profit an active mover that pays no dividend. U. S. Rubber is a good example at the present writing.

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CONDENSED RULES FOR THE CAREFUL TRADER

While there are scores of “do and don’t” rules that apply to stock-trading, a few that specially fit the policies advocated in this book are given below:

1. At first trade purchase one-half of intended amount.
2. Buy outright and don’t borrow the money.
3. Adhere strictly to the Triple Zone System.
4. Keep graphs of your stocks. They afford the best information available.
5. Don’t hold stocks permanently.
7. Buy fearlessly when U. S. Steel is in the sub-normal zone.
8. Don’t buy any stock until you know its Position.
9. Cultivate patience as an investor’s virtue.
10. Don’t buy stocks of concerns in receivership.
11. “Short turns” are for in-and-out traders, not investors.
12. Play for major moves and secure major profits.
13. Don’t select new or little-known issues.
14. Watch active stocks. They are being favored.
15. When profits come, set aside your income tax.
16. Don’t forget the certificates you put in safety deposit box.
17. Plan for your stock-trading as carefully as for your business.
18. Keep trading funds intact. They grow rapidly in later deals.
19. Browse through reams of market news and you'll return to the zones.
20. Men study hard to locate "position." The zones do it readily.

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HOW DO YOU STAND NOW?

Perhaps you are holding stocks now and hardly know what to do about them.
Possibly they have been up and down many times, and always when they were high you expected them to go higher.
That is no discredit to you. It is fallacy as old as the market.
Every time your stock has a deep slump, you resolve that next time up you will certainly sell out.
But you have no map to go by, no charted position, no zones to show you that high region in which every major advance must come to its end.
Your broker, your friend and your market service are equally confused, because they, too, are unaware of the strange but inevitable obedience of all stocks to the Triple Zones.
Of the 640,000 stockholders having American Telephone, it is doubtful if one out of ten ever try to get the good profit the stock so often offers, then repurchase lower.
They accept a slow annual dividend when they could have a dividend and a high price besides.
A client told the author of his holding 500 shares of a certain well-known stock for ten years, which he even carried up to a dizzy height in 1929 without selling out. It sold for $8 per share in the depression of early 1938.
That stock handled according to the Triple Zone System would have made him wealthy.

But he didn't know there was a better way!

The stock you hold now may seem good to you and worth holding, but unless you know its position as compared to U. S.
Steel and the general market, you are taking a risk. This may be just the time to sell out.

Check up on your stocks yourself. With a graph of their action and the normal zone laid off, you can make a truer analysis of your holdings than the best market adviser can possibly furnish.

"All right," says the reader, "I have shares of five different stocks. How shall I know by looking at their graphs whether they are in a satisfactory position or not?"

The process is simple. First, secure the graphs.

Next, lay off the normal zone, if this has not already been done on the graph.

You will note each stock has, time and again, been running up into the super-normal zone, then back down into the sub-normal zone.

The question is, Where does each stock stand now?

Let us take it for granted that they are all in their normal zone. Then note the following:

If they have recently been down in the sub-normal zone, they are now on the way up and they can be held until they rise into the super-normal zone.

If they have recently been up in the super-normal zone and are now in the normal zone, they are on the way down and should be sold out.

If they are well up in the super-normal zone, it is time to consider selling out (but inspect a graph of U. S. Steel) to make the best sale.

If your stocks are well down in the sub-normal zone and U. S. Steel is also well down in its sub-normal zone, hold them for a new advance. But be sure you sell out the next time they get into the super-normal zone.

The basis for the above analysis is that stocks are constantly traveling from the sub-normal zone, up through the normal zone, into the super-normal zone, then down again. When a stock sets out on a trip, it usually finishes the journey. The more active the stock, the more easily it makes these "round trips."

It will be well for the investor who contemplates purchasing stocks to re-read the text descriptive of U. S. Steel and its graph (Plate 12, page 130).

While this steel stock is not always a perfect indicator of "turns" or tops, it is almost perfect as an indicator of Position. When it is well down in the sub-normal, there is no better argument for making a purchase of any stock you like.

Only a very few extra strong stocks will fail to follow U. S. Steel down to its sub-normal zone during bear markets. General Motors is one of the most persistently strong issues. In 1934 and 1935, it refused to decline below its normal zone even though U. S. Steel broke well below its normal zone, as may be seen in Plate 12.

On account of the company's huge business, extensive assets and good management, General Motors stock is much sought after by large investors, insurance concerns and treasuries of big corporations, who buy it for investment of surplus funds.

Investors of large means will naturally prefer the best concerns in well-known industries which pay a dividend and which show ability to earn even in times of depression. General Motors, du Pont de Nemours, and General Electric are in this class.

The smaller investor is naturally bent upon increasing his small capital as rapidly as possible and will, or should, select active stocks. It is feasible to pick active dividend-payers of medium or low price, but the most important feature of a stock for the small investor using the Triple Zone System is activity. Rapid profits come from rapid action.
A BETTER WAY TO MAKE MONEY

There is such a large list of high-class concerns in permanent national industries, whose stocks are at any price, high or low, which the investor might want, that it is folly to select new or half-seasoned concerns in any business whatsoever.

WHAT IS THE GREATEST FINANCIAL FORCE?

It is the speculative urge.

And what is speculation? It is buying at a price with the intention of selling at a profit. Whether you are dealing in stocks, hardware or real estate, the purpose is the same.

The need for money is universal with people and draws from men their greatest physical efforts and their keenest mental abilities.

Stocks are rated more dangerously speculative than merchandising goods because they are so much easier to deal in. A person may deal in $100,000 worth of stocks with almost no overhead expense, but it takes an extensive equipment to buy and merchandise goods to the value of $100,000.

The desire to earn, have and enjoy money or its fruits is the greatest urge of the race. To make it honorably by the intelligent buying and selling of stocks for a profit is as laudable as selling goods or rendering personal services.

The largest institutions of the country are the direct result of good management.

The best management comes from organized method.

In the Triole Zone System of stock-trading, the author offers what he believes to be a new and simpler method of securing profitable results from that greatest financial institution in the world—THE NEW YORK STOCK MARKET.
WHEAT — FROM THE PHARAOHS TO THE PRESENT

Wheat has been a river of gold flowing down through the history of man ever since he could chip his first ideas into imperishable stone, or scribble them in half-intelligible characters on parchments now found in tombs along the ancient Nile. It is the most fascinating commodity in the world, and is today the world's greatest food and its greatest article of commerce. So intimately has it worked its way into the business life of nations that its price is quoted in every important market center on the globe.

For the last ninety years, beginning with the opening of the Chicago Board of Trade in 1848, wheat has been, next to New York stocks, the most used speculative item in the business of the country. It is somewhat more highly "speculative" than stocks since it cannot be bought outright with the same convenience as stocks, and is therefore traded in "on margin."

Wheat enjoys by far the largest part of commodity speculation. Its market action is even more accurate than the action of stocks, since the mass trading mind in commodity speculation centers most of its efforts in a single leading grain.

Most of the time all other grains travel in the same direction as wheat, but not always.

In one matter the wheat market acts exactly like the stock market. Stated briefly it is this:

Once a major bull movement starts in wheat, no news or events will stop it until it has run its full course.