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.
The Triple Zone System is entirely new—as new to wheat traders as to those who trade in stocks. The philosophy of the system is based on human trading habits, not what they trade in. It is as useful to the wheat trader as to the stock trader.

The chief difficulty confronting the forecaster is that he must attempt to forecast with accuracy a market that seems to be wholly erratic and irresponsible.

Better ways must be found for understanding and using the wheat market because millions of dollars in wheat values change hands daily. Senator Capper once pointed out that the entire United States wheat crop was traded in sixteen times over in a single month.

The stock trader can diversify for safety. The wheat trader has no such advantage.

The stock trader can buy stocks outright and put 10,000 shares in a small tin box. The wheat trader cannot buy outright conveniently unless he has an elevator and can pay the costs of storage.

Besides that, the grain trader must get out of one option over into another every few months.

But with all of these handicaps, wheat is immensely popular with the wide public as a trading medium, and is much sought when it sets out on one of its major bull movements.

In big active markets, volumes of 100 to 150 million bushels traded in during a single day are not uncommon. In such markets the “big traders” often deal in from one to several million bushels of wheat.

What I now intend to show is that wheat, being an excellent performer according to the three zones, can be used for making money as readily as the best of the stocks. Dull periods in wheat are always followed by extended periods of sharp activity.

If you happen to like wheat, or have been accustomed to wheat-trading, you will find the business very fascinating and capable of excellent profits when the Triple Zone System is used.

If you are accustomed to stocks, you will naturally be inclined to devote your efforts to the stock market.

There is ample opportunity in either market, and anyone accomplishes more in a business that suits his taste. The eastern industrial sections of the country naturally turn to stocks, while the great Central West, with its vast grain acreage, turns to wheat. Canada is intensely “wheat-minded” because this grain forms the largest single source of Dominion revenue.

Some large fortunes have been made in wheat, and when such fortunes have been lost it has been because the owner of the money did not understand the fatal nature of a Wrong Position.

It is an amazing fact that nearly every loss of personal fortunes has been from the failure to realize that bull markets prevail with individuals and business institutions in the same manner as in the markets.

The first point to be impressed upon the grain dealer and grain trader is that wheat prices run up and down through the three zones exactly the same as stocks.

Wheat-trading is made vastly easier and safer by a knowledge of these three zones and the few secondary market factors that serve as accessories to the zones. The whole equipment of the “Triple Zone System” may be summed up into the following:

1. Market position found by the Triple Zones.
2. The simple laws of bull and bear markets.
3. Location and use of the minor trend line.
4. The “vertical movements” both up and down.

In this brief list of primary market factors, the wheat trader, speculator or investor will find all of the tools needed to win success from the wheat market with its world-
wide ramifications and its ceaseless market movements. Wheat markets are open somewhere on the globe every hour of the twenty-four.

By means of the Triple Zones, the wheat trader is taught how to interpret and use two of the most profound laws of human nature:

1. The Desire for Gain.
2. The Fear of Loss.

Upon these two basic laws of human nature is founded the financial and material progress of the world.

The desire for gain makes men buy, barter, produce or speculate in order to improve their finances, and in so doing they send prices up buoyantly into the super-normal or topmost zone. A bull market is thus completed. Then comes a change of opinion.

The fear of loss makes men sell out commodities or stocks when prices appear too heavy, in order to conserve their cash and consolidate their financial position. A bear market is thus driven down to the sub-normal zone again.

No more brilliant examples of these two forces at work have ever been seen than the bull and bear market cycle in stocks and wheat from 1935 to 1938.

The point I wish to make is that, by the laws of human nature, prices are being continually driven from low to high and back again, and that this applies to everything in which men trade.

The three zones act as a thermometer for these “ups and downs” somewhat as a thermometer tells the temperature.

If you want to know how the temperature stands, the mercury tells you its position.

If you want to know how public opinion rates the value of stocks, the Triple Zones tell their position.

After all, trading in wheat or stocks is not difficult when you understand the principle of the three zones. Their first effect upon the operator is to free his mind of a vast amount of useless and confusing matter, entirely unessential to trading.
“FEATHER YOUR NEST WITH WHEAT”

Money is what everyone wants. People have to make money or else—

And in this business of making money, wheat has no superior in the speculative world. Every grain dealer and trader knows that, no matter how many errors they make. They come back resolved that next time they will make no error.

But getting right down to tangible facts, there is no substantial reason for the trader to lose money in wheat. Some errors are natural but his net result should be good.

One trade in 5,000 bushels of wheat which runs to a 3- or 4-cent profit in as many days will equal a fine month’s salary. That’s for the in-and-out trader.

But a purchase made in the sub-normal zone according to the Triple Zone System and sold by this system in the super-normal zone, will make a big year’s salary, and often in a few months’ time.

Take for example the most recent bull move—that one which started in June, 1936 and ended in April, 1937. Here is what could have been done:

A 5,000-bushel lot bought in the sub-normal zone and sold out on the “minor trend” signal up in the super-normal zone would have yielded $3,000
A 10,000-bushel lot would have yielded $6,000
A 20,000-bushel lot would have yielded $12,000
A 50,000-bushel lot would have yielded $30,000

This is not an unusual feat. There’s nothing unreal or uncanny or fictitious about it. In fact, it is being done, and will be repeated in the very next major advance staged by this popular grain. Wheat has one advantage over stocks in that it may be traded in with less margin than that used in stocks, but unless the trader is level-headed, it can also lead to a disadvantage—overtrading.

What I wish to do in the pages to follow is to show the reader how the Triple Zone System may be applied to wheat, how it discloses the true position of wheat—just as it shows the position of stocks—and how this Triple Zone equipment may be used as a full and complete method for successful trading in wheat.

It is folly for the wheat trader to warp his opinions with the flood of crop news which flows in a steady stream through the grain exchanges. If he is a keen observer, he will soon see that high wheat prices often happen during the actual harvesting of a big crop. This happened in July, 1937.

And, conversely, he will see very low prices prevail in a short-crop year, as happened in July, 1935. He is obliged to accept for the wheat market the same impelling forces that produce bull and bear markets in stocks.

It is the speculative urge, the intensity of optimism, confidence in recovery, the widespread belief that prices should be and will be higher and that one’s finances can be improved by buying wheat for a rise, that causes bull wheat markets, not the status of the crop.

A somewhat sudden conviction that a bull wheat market is “toppy” or exhausted leads the wide public to sell out, and the bear market begins. Nor will it end its downward course until the last reluctant “die-hard” bulls have finally sold out. Liquidation is then complete.

The phrases “major advances” and “major declines” rather soften the somewhat gross words “bull” and “bear” but the American public has become so accustomed to linguistic brevities and slogans that it quickly accepts the bull and bear mar-
kets as instantly descriptive of the two styles of action. Our use of the two terms here is because of general public acceptance.

The smallest amount possible to trade in is 1,000 bushels. This is called a "job lot." Lots of 2,000 bushels, 3,000 bushels and 4,000 bushels are also termed "job lots." On these smaller lots the Chicago commission at present is $3.50 per thousand bushels.

The smallest "round lot" is 5,000 bushels, on which the commission is $12.50.

The margin required on wheat is usually about 10 cents per bushel. But brokers are at liberty to increase this sharply in very active markets or reduce it during dull markets.

The most careful traders use a margin of 20 to 25 cents per bushel.

Anyone may trade in large quantities up to several million bushels, but it should be remembered that the Grain Futures Act has a department at Chicago which requires all brokers to report daily concerning all traders holding 200,000 bushels or more. The aim is to keep the department apprised of large holdings. At present there is no limit on a trader's holdings but the limit of two million bushels is being considered.

In case of an erratic market, the trader holding a large amount would be urged by the department not to "dump" his wheat too fast. Again, he might be asked to liquidate in the orderly manner suggested by the department. All of these present arrangements are subject to variation or elimination.

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WHEAT TRADING IS NECESSARILY "ON MARGIN"

It can hardly be otherwise, since the options expire within a few months and all trades must be closed out.

It is possible to switch over to a later option at the cost of another commission and any difference that may exist in the prices of the two options, but only a few do this.

Elevator companies and some few individuals with convenient storage equipment buy the actual grain and store it to hold for higher prices. This is speculation none the less. It takes much more capital and is supposed to be safer—but is not.

The very nature of wheat-trading would appear to make it chiefly a margin-trading, speculative business outside the pale of investment, but this is only partly true.

A purchase of wheat when well down in the sub-normal or "investment zone" taken in a distant option can nearly always be held for a big rise before the option expires, and in this way becomes as much an "investment" as if the trader bought New York Central down in its sub-normal zone and a few months later sold it at a higher price. On Plate 32 note the excellent position of wheat in November, 1938.

But one thing is imperative for either wheat or stocks, whether the operator considers them a trade, an investment or a speculative deal. They must be sold out when they reach the super-normal zone and show the selling signal.

It would be just as foolish to carry wheat up to its top and down again as to carry a stock through for its round trip. And yet thousands of people do just that.
The Triple Zone System, which is to be applied to wheat also, should be studied in the previous part of this book. It works exactly the same in both stocks and wheat, so that when one learns the principle on which it works, he will be ready to apply it to wheat or stocks with equal facility.

Wheat-trading can be made simple and should be followed as if you were dealing in a friendly market. Too many try to fight the market or “beat” it. Remember the market isn’t trying to beat or defeat anybody. You can use it according to its simple, deeply-rooted laws and it will make you good profits, but if you misuse it the fault is yours and the grief is yours.

Find out what the market is doing. That is the first thing to learn when the desire to trade takes hold of you.

And how? will naturally be your pointed question.

Well, wheat is always traveling. It is, just like stocks, always going somewhere.

The way to find where wheat is and where it is headed for is to get a graph of the grain for a few years back and made right up to date, then fit the three zones to the graph in the same manner as if it were a stock graph.

If wheat happens to be down in the sub-normal zone when you stake off your zones, it means that the next major move for the grain will be right back up through the normal zone and into the super-normal zone.

If wheat happens to be already in the super-normal zone, get out of all longs (if it is under that minor trend line), and if you fancy the short side, you can sell and probably secure a major profit from the major decline.

If wheat happens to be already in the normal zone, you will find that it has just left either the lower zone or the top zone, and is headed for the opposite one. A glance at one of the wheat graphs (Plates 32-35) will make this clear.

Wheat, like stocks, is ceaselessly in transit from bottom to top and down again, but its round trips are more frequent.
The next major advance is from October, 1933 to August, 1934. It has a range of only 44 cents which narrows the normal zone (about center of graph). The small major advance from E to F does not change the width of the normal zone but the next major advance does. The normal zone lies on each side of the dotted center line the same as in stocks.

As we enter this subject the reader may ask, "Is short-selling of wheat advisable?"

Wheat-trading is quite different from stock-trading. Wheat cannot be used for investment purposes as conveniently as stocks, though comparatively few do invest in the actual wheat and store it in elevators for later sale. From the investor's standpoint wheat is immensely more cumbersome than stocks.

A block of shares may be placed in a deposit box and kept with ease. A lot of wheat bought for investment must be placed in an elevator with monthly elevator charges and the expense of reconditioning the grain at times to prevent deterioration. This besides the natural shrinkage in grain.

Another feature in wheat-trading is that dealers on purchasing the actual grain immediately "hedge" the amount bought by a short sale in the same quantity. This is a universal practice by dealers and makes short-selling a part of the regular merchandising of wheat. It is, therefore, difficult to "outlaw" short-selling in wheat even though short-selling may be regarded unethical in stocks.

Furthermore, the stock trader has the advantage of a wide variety of different stocks from which to select or in which to diversify for safety or for activity, while the wheat trader must stick to one medium only and make the best of it.

Short-selling in wheat, therefore, becomes a necessary part of the business of wheat-trading. And since this is the case, the use and understanding of the Triple Zone System takes on special importance. By the zones, either the buyer of wheat
futures or the short-seller can locate the position of the grain and govern his transactions thereby.

The use of both sides of the wheat market will be brought out fully in the pages that follow. Those who advocate short-selling in either wheat or stocks claim that it is as reasonable to depress a market which is too high as to support a market that has fallen too low.

The big major advance, starting in June, 1936 and ending in April, 1937, as shown in the graph, covered 50½ cents measured from the composite bottom to the composite top. The May option covered about 62 cents, but for more accurate laying of the normal zone the composite tops and bottoms are used.

The 26-cent rally from J to K is not a major advance, but is the big primary rally that comes in all bear wheat markets and in most stocks. You will see this same characteristic rally in U. S. Steel (Plate 12) at its August, 1937 top.

This six-year graph of wheat in Plate 32 is a sort of "master pattern" for all wheat movements. When you analyze it and follow its course from the sub-normal zone up through the normal and into the super-normal zone, then down again—time after time—you will discover a very significant fact. It may be stated thus:

_World speculation in wheat is constantly driving the price from too low to too high and back again._

New York stocks, naturally, follow a similar course, but their support is derived mostly from the United States, while wheat is a commodity traded in the world over.

**What Is the Chief Force That Moves Wheat?**

Misconception of this force reigns almost complete over the wheat-trading mind. This is proved by the tons of wire news and crop data that pour in a stream through the grain exchanges of the country. Every news item, no matter how small, is weighed in the trader’s mind to determine what possible effect it might have upon the price.

In the meantime, wheat continues its course from extreme low to extreme high and back over the route again, regardless of whether the crops are large or small. Bearish events will not stop a bull market, nor bullish events a bear market.

It is the Speculative Force that moves wheat, not crop conditions or political events.

When the majority of wheat traders believe that there is a friendly attitude toward the buying side of wheat, making it possible to advance the price, they will buy because of the natural _Desire for Gain_, and there is no greater force known in the financial world.

Why does a major advance always start from the sub-normal zone?

Because long experience has taught the speculating clientele that a low price has many friends, that a majority of the speculative-minded people will readily join in a buying movement regardless of what may be the crop outlook. They sense the fact that wheat is in the investment zone without knowing the zone.

Wheat always moves up out of the sub-normal zone in beginning a major advance.

And no matter what bearish crop news may develop while a major advance is in progress, it will go to its conclusion driven by that irresistible force, the desire for gain.

Take a simple example, shown in Plate 32.

A major advance started from a sub-normal position in June, 1936 at G after it was known that the United States crop prospect was good. This major advance went on to a brilliant finish in April in the face of a still bigger crop for 1937, the largest in six years. And the secondary top was made in July, 1937 at K, after the big winter wheat crop was harvested.
The all-important point to be made here is that a major advance will start from the sub-normal zone and not stop until it has ended its move in the super-normal zone.

These major bull moves are engineered, not by conditions, statistics or "professionals," but by human habits.

Therefore, the wheat trader can take a long position in wheat when the price is well down in the sub-normal zone and be comfortably assured that, regardless of further minor recessions, he can expect a very excellent advance in the price of wheat. His chief problem will be his ability to hold.

Trading for "Long Pull" is reduced to a very simple process by the use of the zones. The operator waits for wheat to drop below the normal zone. He then makes a purchase, taking about one-third of his intended amount. A second lot is purchased 5 or 6 cents lower than the first lot, if available, and a third lot 5 or 6 cents lower than the second lot if possible. These lots are to be well margined and held until wheat prices rise to the super-normal zone. Then they are sold out when the price breaks below the minor trend line, just as is shown in U. S. Steel graph in Plate 12. These minor trend lines appear at the top of all major advances and big upswings, and are shown in the diagonal lines seen at the tops of the major advances in Plate 32.

Purchases for "long pull" should be made in the most distant wheat options, as it is usually the lowest in price and it naturally has the longest time to run. A major advance may finish in six weeks or may run for several months.

Trading for "Short Pull," or in-and-out trading, can best be carried out by following the trend as shown by the zones which locate the position of the grain. If wheat is well down in the sub-normal zone, its next major trend will naturally be upward, until it gets into the super-normal zone. The operator buys on any recession of 2 to 4 or 5 cents during the "churning" of prices down in the sub-normal zone, and accepts about that much profit on his lots. As the move begins to work upward, he continues buying on the 2- to 4-cent reactions and selling out on "new highs" until wheat reaches pretty well into the super-normal zone and is breaking below the minor trend line, when he reverses to the short side and favors that side until the first stage of the bear market is ended. The stages of major moves will be described later (page 271). A major advance in stocks may run two or more years. A major advance in wheat rarely runs a year.
USE OF THE MINOR TREND LINE

Of the four market factors used in wheat-trading, probably the one most difficult for the amateur to use is the MINOR TREND LINE. It, too, will cease to be difficult after the student-trader has made a few attempts at placing it. An accurate, well-made chart drawn by ruler greatly facilitates the locating of the minor trend line and it will repay all the study and effort of the trader to master its use.

In Plate 32, it is shown at B, D, F and H how the market tops out, then drops below the diagonal minor trend line. This is the definite top signal and the only dependable one.

It should be remembered that an actual daily graph of wheat for any of the four tops (also the rally top at K) would be much more in detail than the tops shown in the condensed Plate 32. It is much easier to lay this line against the under side of the steep rise that terminates a major advance when every day’s action is carefully charted.

While the minor trend line will detect the topping out of a major advance, it does not apply to major declines. It shows that much desired point in an advance where public opinion definitely reverses and becomes bearish. At that point profit-taking and selling become prevalent among the mass of traders, and nothing will halt the finish of the downward trend—not even the loss of a wheat crop in a major exporting country.

The minor trend line may be used under a large number of smaller upswings as a means of determining their tops. The reason why this peculiar line forms at an angle under a move is because we think of prices in eighths and graphs move sidewise at even spaces—usually eighths. As the price moves upward by eighths, it also moves sidewise on the chart by eighths, hence the slope.

BIG PROFITS IN WHEAT can be made by the person who will trade with the same care and caution used by the investor in stocks. In stocks the investor can discipline himself by making his purchases outright. In wheat the trader must govern himself by sheer mental control. He has a more difficult task, but in return has greater opportunity.

Why is his opportunity greater?

Because it is legitimate to use either the long or short side of the wheat market.

The wheat trader, in full control of his personal emotions and habits, can make money with reasonable safety on both sides of the market.

Generally speaking, the successful wheat trader must be more expert than the successful stock trader, since he must trade on margin and be capable of using both sides.

Not all successful wheat traders use both sides, as there are a few who claim they are “not constituted for short-selling,” and so adhere to the long side, taking the major upswings only.

These “permanent bulls” will find the zone plan of great usefulness in locating the bottom of bear markets for making purchases and picking the tops in the super-normal zone. Of course, they will “lay off” during the long bear market declines and will thus lose both time and money.

The fatuous error made by the “permanent bull” type of wheat trader is that he attempts to use wheat as an investment and yet must trade on margin.

Wheat-trading is purely a profit-making effort in the speculative field, as wheat pays no dividend and makes profits only by the change in prices. Therefore, the logical grain trader is entitled to the use of both sides of the market, and should cultivate the technique necessary for using both sides.
Money May Be Made Both Ways—by the major bull markets and the major bear markets. To illustrate the way in which this is done, we will take the last six years of wheat as charted in the graph, Plate 32. The graph is too limited to show it, but wheat stood under 50 cents per bushel for weeks prior to the extreme low of $1.25 on November 25, 1932. It was in the sub-normal zone and therefore a purchase at A.

The trader takes the long side for bull markets and the short side for bear markets. He may trade in 1,000-bushel lots or 100,000-bushel lots according to his finances, but he should use a 20-cent margin no matter how well bought. As profits accrue, larger lots should be used; but one of the best safeguards in wheat-trading is to let margins increase faster than the size of the lots traded in. This is exactly opposite to the practice commonly followed.

We will start the trader off with a lot of 10,000 bushels.

Mr. Careful Wheat Trader with margin funds of $2,000

<table>
<thead>
<tr>
<th>Buys</th>
<th>10,000 bu. around A at .50—Sells around B at 1.10</th>
<th>$6,000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Accrued funds</td>
<td>8,000</td>
</tr>
<tr>
<td>Sells</td>
<td>20,000 bu. around B at 1.10—Buys in around C at .70</td>
<td>$8,000</td>
</tr>
<tr>
<td></td>
<td>Accrued funds</td>
<td>16,000</td>
</tr>
<tr>
<td>Buys</td>
<td>40,000 bu. around C at .70—Sells around D at 1.05</td>
<td>$14,000</td>
</tr>
<tr>
<td></td>
<td>Accrued funds</td>
<td>30,000</td>
</tr>
<tr>
<td>Sells</td>
<td>50,000 bu. around D at 1.05—Buys in around E at .80</td>
<td>$12,500</td>
</tr>
<tr>
<td></td>
<td>Accrued funds</td>
<td>42,500</td>
</tr>
<tr>
<td>Buys</td>
<td>80,000 bu. around E at .80—Sells around F at 1.00</td>
<td>$16,000</td>
</tr>
<tr>
<td></td>
<td>Accrued funds</td>
<td>58,500</td>
</tr>
<tr>
<td>Sells</td>
<td>100,000 bu. around F at 1.00—Buys in around G at .83</td>
<td>$15,000</td>
</tr>
<tr>
<td></td>
<td>Accrued funds</td>
<td>73,500</td>
</tr>
<tr>
<td>Buys</td>
<td>150,000 bu. around G at .83—Sells around H at 1.40</td>
<td>$82,500</td>
</tr>
<tr>
<td></td>
<td>Accrued funds</td>
<td>156,000</td>
</tr>
<tr>
<td>Sells</td>
<td>200,000 bu. around H at 1.40—Buys in around J at 1.07</td>
<td>$66,000</td>
</tr>
<tr>
<td></td>
<td>Accrued funds</td>
<td>222,000</td>
</tr>
<tr>
<td>Buys</td>
<td>300,000 bu. around J at 1.07—Sells around K at 1.30</td>
<td>$60,000</td>
</tr>
<tr>
<td></td>
<td>Accrued funds</td>
<td>291,000</td>
</tr>
<tr>
<td>Sells</td>
<td>400,000 bu. around K at 1.30—Buys in around L at .83</td>
<td>$180,000</td>
</tr>
<tr>
<td></td>
<td>Accrued funds</td>
<td>$471,000</td>
</tr>
</tbody>
</table>

The above trading campaign in wheat, even though it covered over five years, will seem impossible of such results, almost a half-million from the small beginning of $2,000. Yet every move is laid out clearly in the chart, and every move of the market is in accord with the Triple Zone System.
GOOD FORTUNE FROM GOOD PLANNING

In the six-year graph of wheat market action is the blueprint of a fortune (Plate 32). The market will repeat this style of action so long as men trade in wheat futures. A study of the Triple Zone System is worth all the time one can devote to it as the personal opinion of anyone, no matter how expert, cannot compare with the zones in accuracy of forecast.

To make the system still easier to follow, the attention of the reader is called to several points in the chart as here noted.

The A to B bull move was on a large enough scale to have the bull market habits as shown in Plates 24 and 25. Therefore, the top could have been estimated at a much more favorable place than the point B shown by the minor trend line. However, a day-by-day chart of wheat for that move would have also shown a higher point for the taking of profits. It is better to be conservative in selecting profit points.

The advance from C to D was a rambling bull market too small to have distinct laws for the move. It has been pointed out that true bull market action comes only with heavy participation by masses of traders.

It will be noted that the price barely breaks under the normal zone line at C, E and G, thus necessitating prompt purchase. This might also prevent securing more than one lot of wheat. It is well to take a lot quickly under the zone as a second opportunity may not be afforded. However, even then, it is wise to take a conservative amount as a matter of good trading discipline. Margin-trading naturally makes men more concerned when prices decline even though in the sub-normal zone. Hence, it is wise to make one’s first purchase under the normal zone a small one.

The simple plan of buying just under the normal zone, then selling out just above the zone, would have returned a handsome profit; and an equally good profit would have been earned by selling short just above the normal zone, then accepting profits a little under the zone. However, in this case, the trader would have to margin well and hold steady during the bull markets, for wheat usually goes far through the normal zone on its strongest moves. The minor trend line is the thing that helped him find those distant tops.

Broadly speaking, a bull wheat market that starts deep in the sub-normal zone will go a similar distance into the supernormal zone on the upward trip. This is not always the case but, like a pendulum, when the market swings widely in one direction, it is likely to swing just as widely in the opposite direction.

In the bull move G to H (Plate 32), the use of the Bull Market Law is extremely helpful. The first stage of the advance reaches 11.5 (in the May option). Hence, the trader has but to double this first stage to estimate the final top which was reached April, 1937.

Again, the reader should be reminded that the location of the dotted line is determined and the width of the normal zone estimated from the composite tops and bottoms of the options in force at the time these tops and bottoms are made. If three options are in force, add them together and divide by 3 to get the composite figure. This is about the only point in which wheat-trading differs from stock-trading.

Since wheat cannot be used as an investment plan in the same sense as stocks, it is legitimate and sensible to use the market to its limit, both up and down, provided all steps are followed by system. A knowledge of the three zones fortifies the mind of the trader. He makes fewer errors.
A BETTER WAY TO MAKE MONEY

When wheat is in the sub-normal zone, its next trend will be upward, into the super-normal zone.

When wheat is in the super-normal zone, its next trend will be downward, to the sub-normal zone.

THE BULL AND BEAR MARKET CYCLE

This cycle is the most profitable action known to wheat-trading.

This big "round-trip" style of action in wheat can be planned for and used with gratifying success. Such moves come frequently. Thirteen of them have happened since 1921. The smallest bull move during that time was the one in 1931 of about 23 cents. The most extensive major bull move was in 1924-25 in which wheat covered a range of $1.05.

At this writing the latest bull and bear market cycle in wheat started in mid-year 1936 and finished the "round trip" or full cycle in the spring of 1938. The range covered was about 63 cents.

This was one of the easiest for the trader because of its very accurate following of all the elements of a true cycle. It is to be expected that "market laws" which are based upon mass human emotions will not run mathematically true to form. However, they do run approximately true.

This advance started with wheat in the sub-normal zone in June, 1936, as seen in Plate 33. Many reasons were assigned for the cause of the move, but the chief point to the trader was that a major advance was due.

Why? Because wheat always starts a bull move from a position in the sub-normal zone.

Of course, there was other news which gave psychological assistance to the move. It was the year of the national election —1936—and the wheat and corn crops were both short. Yet the most powerful factor for a rise was that the trading public wanted to make money. The price was low. Wheat was in the
sub-normal zone. Whether people knew about these zones or not, they knew that the price was too low. Wheat is always too low when in the sub-normal, just as it is always too high when in the super-normal zone.

The Two Great Errors of wheat traders is failure to buy when wheat is in the sub-normal zone, and failure to sell out when it is in the super-normal zone. Only a few learn the secret of correct trading, and they are the ones who make profits.

This Triple Zone System is to help the studious trader in this business of profit-making. He need not be afraid that too many will become competent traders and “kill the market.” People are too indolent mentally to perfect their technique of trading. They prefer the easier plan of guessing, and so long as they do this, the ambitious trader will be able to profit from their mistakes.

In Plate 33 will be seen a complete bull and bear market cycle in Chicago wheat.

The advance from A to B is the first stage of the major bull market here pictured. The break from B to C lasted over a month. Faster action begins at C, and by the bull market rule we are able to estimate that the final top will be twice the distance from A to B, or about 1.42 to 1.45.

When wheat prices get well above the normal zone line after rising through 98, we begin to follow it up with the dotted center line and begin to “feel” for the top with the minor trend line X-Y previously described herein. This watching for the slope of the advance under which the minor trend line forms enables us to follow prices on upward so as not to sell out too soon. We get about all of the move.

On Breaking the Minor Trend Line at Y, we sell out all long wheat and sell short.

The first objective at which to take short profits on this short sale is right around 1.07 to 1.08—about even with the

Usually a major bull wheat move makes the first half of its advance slowly, as from A to B, and the last half swiftly, as from C to D. In this move the last half was longer but this is not important.

Bear markets, as from D to G, usually last much longer than bull markets. In a later decline this low bear market level shown at G was carried on to November, 1938, and reached a low of 60.

Many professional traders prefer the bear side because it lasts so much longer than a bull move. Short-turn, or in-and-out, traders find a bear market very prolific of short swings of 3 to 5 and 10 cents.
point C where the last fast rise began. This is the first stage of the bear market. First profit should be taken there without waiting for a further break to the sub-normal zone.

There is art in the game of following a big major movement through to the finish for all the cash it will yield. It looks like a simple matter with the entire charted move laid out with the zones, but a few special points are to be observed that are not wholly mechanical.

We will start the trader off with 10,000 bushels bought at, say, 84, near A, and with $2,000 margin funds.

He is also aware that a Presidential election year is at hand and that business indices are rising.

His first concern will be when the market makes a temporary top around 1.10 and forms a congestion. Wheat has reached the super-normal zone and the trader has a good profit. His inclination will be to take profits and reverse to the short side. Yet there has not been any frenzied top action—and no minor trend line.

But here the law of bull markets, as described in Plates 24 and 25, comes into play. While the price is above the normal zone, it has much farther to go according to the bull market rule or law that the latter part of a bull market develops fast action.

Fresh speed appears at C after the election, and grows still more apparent as it crosses the top edge of the normal zone at 1.17. The trader can then estimate the top at twice as far as from A to B which figures about 1.42 to 1.45. This gives a clear objective ahead.

The trader can easily ride out the many small reactions along the way up, as his profit is large and his funds more than ample. As the market nears the 1.35 level, he begins to watch carefully for the place to apply the minor trend line.

This line appears at last well established at X–Y, and the trader can either take profits at 1.44, or wait until the break is confirmed by the price going below the line X–Y at Y, or about 1.41.

The trader sells, say, at 1.44 and, having ample money, he sells 20,000 bushels short for the break.

“What break?” will be the reader’s natural query.

Again, it should be repeated that a bear market starts the moment a bull market ends.

That the first part of the decline will be rapid, and will go down to about the level from which the last fast upward stage of the bull market began as noted at C.

The first rapid break of wheat should be from D down to the vicinity of 1.07, or C. In fact, it went a little lower to 1.05, as seen at E.

This renders a profit of $7,200 on the 20,000 bushels of wheat sold short at 1.44.

On the laws of the bear market the trader may safely purchase 40,000 bushels at 1.08 for the first big rally, which always happens in a major decline.

This rally will amount to 50% of the break from D to E—usually more—but can be tested for the top by using the minor trend line again as shown during July, 1953. This yields a profit on the 40,000 bushels of long wheat amounting to 18 cents, or $7,200.

Once more it should be repeated that in wheat-trading the short side is as legitimate as the long side, since wheat-trading is not recognized as an investment proposition. It is purely a money-making business, hence our trader sells short where he sold out his long wheat at 1.26.

This time he sells 50,000 bushels short at 1.26 in July, 1937, with a 40-cent margin behind it as his funds have now increased to over $20,000.

The bear market law says that wheat will sell back to approximately the 83–85 level, from which it started up in 1936
as seen at A. The profit is 42 cents per bushel, or the sum of $21,000 for the last trade.

First purchase yielded a profit of ........ $ 6,000
Next trade—short sale—a profit of ....... 7,000
Third trade—purchase—a profit of....... 7,200
Fourth trade—short sale—a profit of .... 21,000

Total profit .................................... $41,400

A trader’s first requisite is a graph showing wheat back for several years. Back to the lows of November, 1932 is ample. It is useless to waste time digging back through years long past. The action of wheat is the same farther back, because the trading habits of human beings are the same.

If you have the data for making up a chart, it should be made at once and the dotted center line and normal zone penciled off so that the position of wheat may be seen at once.

It is well to get your charts ready when wheat is very low and business conditions gloomy or crop prospects indicating heavy production. You may be able to buy wheat well down in the sub-normal zone.

May wheat, in 1937, went 28 cents above the normal zone. It is quite within probabilities that it will go 28 cents below the normal zone—or down to the lower 60’s—before forming the usual bottom congestion.*

If wheat is in the sub-normal zone and well down when the trader first concludes to make a trade, he may as well buy at once, but should margin his holdings well and not be disappointed if he fails to buy near the bottom. No one can tell when the public will turn to wheat buying in numbers.

If wheat happens to be in the normal zone when trading is contemplated, it is all right to buy if wheat has recently come up from the sub-normal. It is simply on the way up to the super-normal zone or well above it.

If the trader finds the trading clientele enthusiastic and the market very active and in the super-normal zone, he should not buy. He should wait for the minor trend line to form under the charted top action and sell wheat short when it breaks through that line. A stop loss is seldom necessary if lots are bought well down in the sub-normal zone; but when above the center line a “stop” should be kept on all trades both long and short 3 or 4 cents away.

* The extreme low for wheat in 1938 was 60.
THE WINNIPEG WHEAT MARKET

This excellent market at the big wheat center of Canada is not only used by Canadians but also many United States traders take advantage of it because of its superior activity. The daily action as well as the big swings in either direction is usually in a wider range than Chicago. For instance note this:

During the last bull market, 1936–37, Chicago wheat advanced a total of 63 cents, while Winnipeg wheat advanced a total of 77 cents.

From November low to January high, Chicago wheat advanced 14 cents—Winnipeg wheat 28 cents.

Many of the smaller swings at Winnipeg are double those at Chicago. This makes the Canadian market attractive to traders as action is what counts. There is nothing in the business world that will make cash faster than to be right in an active wheat market.

The chief concern of the wheat trader is naturally to be right and to know that he is right. The major movements are easy to get into favorably and you can stay in for most of the move if the basic theory of major moves is known. This does not mean that one has to have a scholarly or scientific insight into the causes of movements but to use a plan of trading that is clear to the common sense of anybody.

The Triple Zone System is the simplest way possible, and once the trader uses it and adapts his trading to it, he will have little difficulty in using the wheat market successfully. This refers to the major movements both up and down. In these lengthy swings the layman makes his best money. It should be borne in mind that wheat-trading is not a means of investing money but is primarily a means of making money. Therefore, to help the reader arrive at a definite policy of wheat-trading, we repeat that anyone is justified in using both sides of the market. The market laws governing a bull market run no truer than the laws governing a bear market. Both are reasonably accurate and, therefore, may be used confidently.

The chief difficulty always is the impatience of the individual or his lack of staunchness in carrying out a plan of operation. On page 266 is a detailed statement of a trading plan carried out over the full six years of the Chicago Market. The same process of trading in Winnipeg would have resulted in equal or larger profits. The hardest part of the program will be in holding one's self level over the long periods of time from one trade to another. For instance, the time covered in the decline of Winnipeg wheat from D to E (Plate 34) was nearly a year. It was necessary for the trader to sit patiently through all the crop and political news of a year before securing his profit.

As to the plan of operating in Winnipeg wheat, it is not different than operating in Chicago wheat, or any other United States markets. But the author advises the use of the Chicago wheat market as a means of more accurately determining the turns.

THE CHICAGO MARKET LEADS THE WORLD in the matter of making wheat prices, but this helps the trader since he has the signals given by both Chicago and Winnipeg markets in deciding turns.

Anyone using the Winnipeg market should keep a chart of the leading option of both Winnipeg and Chicago wheat, but use the Chicago chart for determining the major tops and bottoms.

In the stock market we use a graph of U.S. Steel in locating the buying and selling positions for any or all stocks. U.S.
Steel is the leader for stocks, while Chicago wheat is the leader for the grain markets everywhere.

Fine profits were readily available in the extra big bull market that started in June, 1936, coincident with the start of the bull market at Chicago.

It was only necessary to determine that Chicago wheat was in the sub-normal zone in June, 1936, and that it stood at a vertical break of 20 cents, to know that Winnipeg October wheat was in a position to buy. It had not dropped below the normal zone but Chicago wheat had. The trader need wait for no other indication. Winnipeg wheat was a fine purchase around the level G.

Now there may be some doubt in the trader’s mind about taking profits when the price emerges above the normal zone just below the point GG (Plate 34).

Here, again, is where the use of the bull market law comes into play. The rise of prices has been rather slow, indicating that the first stage only of a bull market has been seen up to the GG level.

Therefore, a further and faster rise is to be seen soon.

It will be known by a sudden change to swifter activity and this new swift action comes from the bottom of a reaction as at HH. The real fast action starts with the rise from HH and immediately the trader can estimate the final top at around 1.50 for the dominant option.

The first half of the bull market was completed at 1.12 after a rise from 74. Then came the temporary reaction—the lull before the storm.

Thus the first stage covered 38 cents.

Now add 38 to 1.12 and the result, 1.50, will be approximately the final top. It was reached about five months later. The trader, by using this known and fairly definite law of bull markets (see Plates 24 and 25), and who had bought wheat around G, would know that he could hold for the balance of
the major move to around 1.50. Thus he would get the full advance and a very excellent profit. A lot of 10,000 bushels bought at 75 and sold at 1.50 would yield $7,500. The next step is a conservative short sale, on breaking that top minor trend line. A long bear market is to follow.

Trust to Market Action for market indications. Crop news is interesting but useless. Political measures are misleading. They represent attempted changes in this country only. Wheat is a world commodity traded in by all nations, and while Chicago is the leading market, it is balanced by big markets elsewhere in the world. No other commodity and no stock enjoys the world popularity attained by wheat.

Mass trading establishes market laws which are simply the laws of human nature registered in prices.

When the observer watches the wheat quotations during market days, he witnesses the composite opinion of all who are trading in wheat.

Therefore, it is wise and scientifically correct to draw all indications from the market itself.

We have all seen wheat rush upward in a rolling bull market with a known heavy crop being harvested. Furthermore, we have seen prices sink during drought and dust storms. These are incidents in the life of the wheat crop, but wheat prices are made in the minds of men—and these men are scattered world-wide.

The charted action is indispensable to the wheat trader, to the miller, or to anyone dealing in this grain or any of its products. Charts should be kept daily and made accurately. The center dotted line can be placed on any new chart by going back to the last major advance and taking the central point between the top and bottom of the last bull market.

This dotted center line should be run sidewise as the chart progresses, and turned upward when the price rises above the top of the normal zone. The width to assign to this normal zone has been described in previous pages.

In the Winnipeg wheat chart (Plate 34) the October option was brought on the quotation board about 20 cents below the July option, as the May and July wheat at Winnipeg represents the old short crop of 1937, while the October option represents the new 1938 crop.

Trading in Spreads is very common in the markets of both the United States and Canada. In these transactions the trader buys one option which he thinks may rise faster than another option, and sells the slower option. A larger amount of grain can thus be handled on moderate margins, the expectation being that a small widening of the spread will yield a good profit by virtue of having a large amount of grain.

But “spreads” are deceptive. They work opposite to the expected direction at least 50% of the time. It is more difficult to pick a profitable spread than to select a profitable position for buying a single lot. Furthermore, two commissions must be paid the broker in closing out a spread.

The spreading of two markets is common. In these deals the trader may buy a Winnipeg option and sell a Chicago option, expecting the options to widen out and thus yield a profit. To accomplish this successfully the trader must have a keen insight into the situation in two countries or two localities. Often the spread is between the Kansas City and Chicago markets or between Chicago and Minneapolis.

But the plan of spreading is difficult and not worth the trouble it costs. The broker likes spreads, quite naturally, since he gets two commissions and his own risk is lessened. The author’s suggestion is to trade in less grain and avoid the precarious and doubtful business of spreading.

A purchase of Winnipeg wheat against a sale of Chicago wheat is little more than a guess that Canada will have a short crop and the United States a good one.
A purchase of Chicago wheat against a sale of Minneapolis wheat is based on the belief that the spring wheat country will have a better crop than the winter wheat belt. In either case the trader is making a bet upon crop conditions and weather. If one must trade in spreads, he should get a weather service.

IN-AND-OUT TRADING

This title, and its two synonyms short-turn trading and quick-profit trading, refer to the fascinating attempt wheat traders make to catch and take a profit from the smaller movements of the market.

Since the wheat market is constantly moving, there are many of these small swings. Especially are they frequent around the lower ranges of a bear market. The "public" abandons the market at such times, leaving it to local traders, grain dealers with their hedging operations, and to pit traders in the exchanges.

Bull markets come only when a large number of people enter the market for an extended rise. These major advances usually end in from six weeks to six months. Then comes the long decline and dragging market while conditions are maturing for the next bull move. Major bear markets work down deliberately, often requiring one or two years to reach final lows.

Many traders wish to take advantage of these small swings but find difficulty in doing so because of sudden unexpected reversals. A rally that sets out with great vigor, portending a 3- or 4-cent rise, may fizzle out within 1½ or 2 cents, and, therefore, unless the eager trader can be convinced of the reversal, his small profit is gone.

In six months from November 8, 1937 to May 8, 1938, there were 58 of these small swings in Chicago wheat ranging from 1½ to 13½ cents in extent. By this is meant swings either up or down.

Note the extent of these swings:

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It is notable that 41 out of the 58 swings, or over 70%, had a range of 2 to 4 cents.

To catch and use these small swings for a profit has long been the dream of ambitious traders, but has met with defeat and regrets all down the years.

Twenty years ago, a popular analytical writer in a market handbook had this sentence: "The fond hope cherished by every trader is that he will, some day, find the way to sit astride the daily movements and ride them through to a winning race."

The writer of that sentence expressed doubt that it would ever be accomplished, but showed under his argument that he nevertheless entertained a hope that such a plan might be invented. This is the intense desire of that class of the speculative public which is constantly trading or watching the grain market.

A large percentage of margin traders in stocks attempt to secure small swings of 5 to 10 points, and naturally run into the same obstacles experienced by wheat traders.

What is the chief difficulty in attempting to get these small swings? It is exactly the same difficulty met in all trading. First, the trader cannot determine when to buy for the small upsing; and second, he cannot tell when a rally is terminating.

This in-and-out, small swing trading is vastly helped by the Triple Zone System. Yet we suggest that all traders, large and small, adapt their trading to the zones as previously described herein, and not take chances in the doubtful occupation of snatching small profits from small movements.

It is probable that 80% of the traders using the grain markets are attempting to match their wits and intelligence against the subtle movements of the market, and steadfastly entertain the belief that they will hit upon a plan to harvest the huge crop of small movements that clutter up the lower ranges of a major bear market. Some day their much-longed-for plan may be evolved, but there is nothing in sight as yet.

Market News in the daily papers and that which pours through the exchanges during market sessions is watched by traders for some indication by which they may venture a commitment. Little genuine help is derived from these sources.

During major bull markets, bullish news appears to be driving the market upward, because it keeps the attention of the public centered upon the rising prices. Let the wide public once become convinced that wheat prices are going to rise, and all kinds of news will be exaggerated to fit the public belief. Furthermore, those who gather and publish the news naturally like to serve an enthusiastic public. Hence, they are apt to ransack the country to obtain news fitted to the advancing trend.

When wheat is down in the sub-normal zone and is actually forming the bottom congestion, the news will be most intensely bearish. Strangely, however, the price will not break much but will drag for a long time through a series of those small swings discussed above. All the bearish matter that comes along fails to depress prices further. This is the best possible time to buy.

Conversely, when wheat is in the super-normal zone and the public trading actively is a boiling market, it will be found that bullish news by the ream is pouring through the markets. But there comes a time when this optimistic flood of opinions loses its effectiveness, the market buckles and gives way to a decline even with news vendors working at fever heat to rekindle the waning bull enthusiasm.
This is evidence that the bull move is over.

So long as the mass opinion held to the belief that prices could go higher, people fed greedily on the inspiring bullish news. But finally, the majority decides to take profits lest something happen to sweep them away. Then returns a manifestation of the old human habit, "the fear of loss," and the price of wheat goes down.

Commission Rates at most United States wheat markets and at the Winnipeg market are about the same, as follows:

- 1,000 bushels of grain .......... $ 3.50
- 5,000 bushels of grain .......... $12.50
- 10,000 bushels of grain ........... $25.00
- 100,000 bushels of grain ......... $250.00

The tax at Chicago and other United States markets for some time was 3 cents per $100 worth of grain but has recently been entirely abolished.

In regulating the grain market and to avoid the upsets caused by the heavy trading of professionals, the Grain Futures Commission at Chicago requires that all brokers report to the Commission their customers who hold 200,000 bushels or more.

This does not mean that traders are restricted to lots of 200,000 bushels or less, but the regulation is merely to enable the Commission to know who is holding large amounts of grain futures. The trader may buy a million bushels or more (at the present time), but his holdings must be reported. Furthermore, the Commission may, in case of excited markets, request the owner of a large amount to liquidate his grain in orderly fashion so as to avoid undue effect upon prices.

The immense size of the grain futures business at Chicago can be understood when it is seen that the value of wheat alone traded in during a single day of fair volume equals the value of all the stocks traded in during a fair day in Wall Street.
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WHO'S TRADING?

To find out the extent of business on the Board of Trade and who is trading, United States Government officials selected a certain day in 1937 and gathered the following information regarding transactions for that day:

There were 632 brokerage houses doing business.
On that day, 13,385 traders were in the market.
Of these, 88% were speculating.
They were found in all states of the Union.
Traders in 28 foreign countries were participating.
China, with 344 traders, had largest foreign list.
Canada, with 326 traders, had less than China.
Chinese traders held 10,000,000 bushels.
Like United States traders, the Chinese favored the long side.
Farmers were the largest group in the United States.
In the farmer group, 1,500 were trading.
Their average holdings were 3,600 bushels.
Almost all farmers were on the long side.
There were 802 housewives trading in wheat.
Almost half the traders dealt in job lots.
Three-fourths of the "long" traders were speculating.
Of the "shorts," four-fifths were dealers hedging in short grain against purchases.

With this amount of trading in this country only, it can well be imagined what an immense amount of wheat is traded in during a single day in the world markets. A significant point is that 88% of all United States traders are in wheat for speculative purposes. It is this fact which makes for volume.

Traders often attempt to judge the market by the volume of flour sales, exports, or domestic consumption of wheat. These are only light factors. Even on a dull trading day the speculative volume will usually be five or ten times as large as the actual wheat dealt in by dealers and exporters.
WHEAT PRICES FOR SEVENTY-FIVE YEARS

The remarkable history of wheat prices is shown on Plate 35, which depicts the cash value of wheat rather than the futures. But it runs so closely to the futures as to give a clear idea of continuous bull and bear market performance of wheat down through the last seventy-five years.

The tops and bottoms of this graph and the dates are approximately correct, but the lesser movements between tops and bottoms are merely put in to spread the major movements apart.

Some of these bull market tops are many years apart, as those of 1898 to 1904, while others are only a year apart. This style of chart had to be adopted to condense all these major movements into the space of a single page in this book.

Twenty-six bull markets occurred during the seventy-five years, and, of course, each one had its bear market. The tops of 1917 and 1919 do not represent two bull markets, but rather a "double top" to the big war market. The grain exchanges were closed from September 7, 1917 to June 1, 1920 because of the war. The high tops of 1917-19 represent the cash price.

The small bull market of 23 cents in 1931 is in sharp contrast to the huge tops of 1917-19.

In 1931 and 1932, wheat was at the lowest prices known in this country and in Europe. Having dropped to this extraordinary low, wheat is now stepping upward similarly to its action during 1900 to 1916. Another war is predicted, and if it arrives, we may see prices again mounting as they did during the great war.
A BETTER WAY TO MAKE MONEY

The chief lesson for the trader in this seventy-five-year wheat chart is the fact that major bull and bear markets never cease. They are a part of wheat history.

Furthermore, it is seen that the lows of 1931 and 1932 are the lowest on record. In 1894–96 the price was near the same lows, with the result that the trend became more pronouncedly upward until it culminated in the war prices of 1917–19.

It is, therefore, quite within the logic of cycle action that wheat is now again setting forth on one of its long upward journeys that will culminate with another war. This journey may be interspersed with several major bull moves while in transit, but these can all be measured by the zones and used for their profits whether the move be upward or downward.

TURN KNOWLEDGE INTO CASH

Study plus determination equals money when you are talking of the wheat market. But be sure to devote your study to essentials. Financial libraries are cluttered with a vast tonnage of data that would never earn a dime for you if you knew it all by heart.

Centralize efforts upon the market itself. That means on market action. It's all there—all you need and can use.

In that "open, high, low and close" of wheat for one session is the concentrated essence of the opinion of hundreds or thousands of men—all whose deals entered that day's movement. They have weighed the evidence for you and have passed their verdict upon the value of wheat for that particular day.

Your chief business is not simply to add your little deal to the grand total of trading, but to determine to your satisfaction which way the mass mind is heading.

One day's movement, then another, and another, will eventually form themselves into a pattern, the same general pattern that has run through wheat movements since futures trading was begun ninety years ago.

In fact, the same kind of movements run through every commodity and through every stock listed in the speculative markets. Market action is human nature at the business of making prices.

Many "market rules" have been framed by studious traders, and some not so studious. Most of them are intended to snatch a fleeting profit from the market on some particular style of action that is repeated from time to time. The easiest rules are
the most popular, because they require the least thinking. And for the same reason, they are the most fallacious and expensive.

Adopt one system of trading and stick to it, just as you employ and stick to one physician in whom you learn to have confidence. Since you are trading for the sole and very laudable purpose of making money, it is well to cultivate skill in trading, in the same manner as you cultivate skill at your profession or business.

One of the most important points in your market education is to learn as early as possible that the customary and supposedly weighty market news is of very small importance. The news only looks important. Wheat, like stocks, derives its big swings from causes deep in human psychology, not from the leaves or “indications” floating on the surface of things. You may crave an opinion as to the trend wheat will take. You may pay a high price for the expression or advice of a market expert, but he can offer you but one opinion. On the quotation board every day is shown the compound opinion of several thousand men who back their opinion with cash.

A certain man in the United States has created for himself a very enviable name as a market specialist. One of the remarkable features of his work is that he will read no comment or news whatsoever relative to market events, but acquires his entire advisory information for a large list of subscribers solely from the daily quotations.

The Triple Zone System is a method for universal use. It can be followed at home or at the office or at the exchange. Once understood it is as easy as your routine of business.

Secrecy of operation should be a cardinal rule in the trader’s repertoire of habits. It is a strange fact of psychology that when you disclose your carefully thought-out plans to others, you lessen your power and scatter your efforts. Make your deals quietly and your success will be self-advertising.

Once you let others in on what you are planning to do, your own interest seems to lag. You lack that driving power which remains yours as long as your cherished plans are kept a secret.

When Edison was perfecting some of his famous inventions, he scarcely left his shop, night or day, and slept only when nature drove him to sleep. But when he came out of that workshop, he brought something forth that astonished the world.

Your prosperity cannot be hidden. Use your wits, make your pile, and friends who once minimized your efforts and abilities will be your ardent admirers. Money commands authority everywhere. The reason is because it takes the best talents and virtues of the race to accumulate it.

It is worth all the efforts the individual can devote to a business if it will, at last, yield for him that thing most desired by all—Financial Success.

The writer has seen—and so have you seen—many deserving persons working industriously, annually and ineffectively at something which never brings them to the desired goal. Human energy of inestimable value is fretted away over inconsequential things, and the hopeful worker fails to reach the stimulating joy of accomplishment or the satisfaction of acquiring financial success.

Make your next trade in the market successful by planning for it well in advance. A good purchase at the proper time, in the correct zone, is as sure to yield a fine profit for you when trading in wheat as if you were dealing in merchandise over the counter—and with a minimum of overhead expense.

Lloyd George, in an address before an American audience, declared that the most vital plan for an individual—as well as a nation—was to “follow through.” This is especially true of the market where it is so easy to let one’s interest lag during dull periods and be carried off the charted course.

Listen to the words of Calvin Coolidge:
“Nothing in the world can take the place of persistence. Talent will not; nothing is more common than unsuccessful men with talent. Genius will not; unrewarded genius is almost a proverb. Education will not; the world is full of educated derelicts. Persistence and determination alone are omnipotent. The slogan 'press on' has solved and always will solve the problems of the human race.”

EPIGRAMS AND OBSERVATIONS

Enter the market with the belief that you will win.
Surrender no advantage to the natural human indolence.
Money is made by aggressiveness and determination. If in doubt, learn more about what you are doing.
Don't trade just because you can afford to lose.
Never was there a more fallacious argument held out to the prospective trader. Money is not to be lost, but to be conserved and multiplied by market practice. Trading is a business, not a sport. If one wants to play, why not take up golf or bridge. Taking a "flyer" in stocks is mere giddiness in trading. Better try the Irish Sweepstakes.
If trading in commodities, select one, preferably wheat, and learn all you can about its action.
All the crop news and political events will be of little use. If it were possible to trade successfully by good and bad weather conditions, it would be unbelievably easy to make money. When the news filters through ten or twenty thousand minds interested in wheat, the major opinion may be quite different from the opinion of an individual.
If trading in stocks, select a few of national reputation and learn their individual habits.
No need of picking out new or unfamiliar issues. Those which have survived through good and bad years over ten to thirty years are usually under good management. You can select a stock of any price to fit your purse or ideas from amongst the ample list of well-seasoned stocks.
First learn the trend of your stock or grain.
The way to do this correctly is to get a chart or graph covering the last few years of the stocks or grain; then lay off the three zones on it.

"Manipulation" of the markets is not serious.

Such attempted distortion of the market only intensifies market action and does not change the objectives sought by the so-called manipulators. All sober-minded men buy and sell to make profits or to prevent loss and so do the manipulators. Prices may be driven farther in a given direction, but they will reverse and return.

"Every action is followed by an equal and opposite reaction."

This natural law was discovered by Sir Isaac Newton 250 years ago. It figures importantly in market action, as it shows the habit of human nature to run to the two extremes, then return. The faster a market movement runs in one direction, the sooner it will retrace the action. It is highly important in major bull markets of both grains and stocks, as it shows the extent to which the reaction will return.

Read again about the "Fundamental Axiom" described on page 85.

This is the law of action and reaction applied to market movements. It will be readily understood that these movements in the market are the result of human trading habits, hence are close to the positiveness of natural laws. That makes the fundamental axiom more important and more easily understood.

"Market rules" intended to capture minor profits from the market are deceptive. If a correct way is every found, it will certainly fill a long-felt want.

Some market "experts" have developed as many as a score or even a hundred so-called "rules" for capturing the smaller erratic movements. They "work" once in a while but most of the time they go on losing money for the users.

Stick to your job, your shop or your profession.

It is possible to use the stock or grain market very conveniently by the Triple Zones and not lose a moment from your regular occupation.

"Practice makes perfect," is an old copybook adage that works well in the market place.

If a trade fails to come out right, the error will be found in the operator—not the market. It is a big thing to accomplish, this matter of taking profits from the market by the simple act of thought or judgment, and practice will greatly improve the technique of the trader. The writer has seen a woman trader completely outstrip her husband in trading even when both were deeply interested. The husband had his business to attend to while the wife, with more time to spare, devoted attention and practice to her market operations. A loss makes one thoughtful. It is the losses that makes the operator studious—not the profits. Take advantage of every slip to improve your knowledge of market action. It will be found that, no matter how erratic the action of either stocks or grains, they are still conforming to the laws of market movements. Practice is a great renovator. It enables us to discard wrong ideas.

Why do traders take a loss more readily than they will accept a profit?

There is a very simple philosophy of loss in all trading.

The reason traders lose readily is because there is no one to make them accept a profit, and there is someone to make them take a loss—the broker.

It is wise, therefore, to place one's self beyond the broker's possible "margin call" by using an extra large margin. It may not be needed, but you have it in case of an unexpectedly sharp move. A quick break is usually followed by a quick recovery. If you are frightened into selling out in a smashing break, you will likely see the grain you had come right back up over
the break. That is only one of the reasons for using a good margin. Another good reason is that you get the habit of not overtrading.

Dignity in Trading. There is as much dignity in buying and selling wheat futures as in the buying and selling of merchandise. It is as business-like to trade in stocks of a concern as to deal in the implements or goods manufactured by the concern.

Certain fragile-minded persons like to refer to traders as "grain gamblers," but such people are blissfully unaware that on the stock and bond markets rests the entire financial structure of the country and on commodity futures rest the prices of our vast agricultural industry. To stop these markets—as certain impractical persons would like to do—would be like stopping the flow of blood in the arteries of a man.

Trading is simply another form of business. Look down a city street at the buildings, the hurrying trucks, busses and conveniences of traffic. These are all designed for the sole purpose of making money. The street cars make theirs by a harvest of nickels and dimes, the skyscraper by the rental from its offices, and not one of these money-making schemes is one whit better or more dignified or more honest than the business of making money by wheat futures or by trading in the stocks of our national concerns.

Trading is a swifter way to make money and involves risk to a greater extent. Money can be made quicker by right trading and lost quicker by ill-advised trading. A mercantile business may be slower in going bankrupt but one can be as fully "busted" dealing in hardware or groceries as he can dealing in wheat futures.

Any person who will use the same care in his grain- or stock-trading as he does in his mercantile business will have equal success. The object of this Triple Zone System is to crystallize trading into a simple, easily followed plan.