AIQ Opening Bell® Monthly

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Feature

Sections

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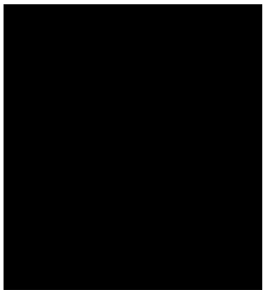
AIQ REPORTS

MULTIPLE STOCK SCREENINGS USING THE "BUILD LIST" FUNCTION



DAVID VOMUND

By David Vomund

What is better than the Weighted Action List, the Divergence Report, or the Volume Spike report? Answer: All the above reports combined.

TradingExpert's "Build List" function in the new 2.1 Windows version is designed to provide the user with a quick method of browsing reports. A secondary benefit is that it allows the user to run a report only on the stocks that appear in another report. In other words, you can screen a screening.

"Using the 'Build List' and 'Print Range' functions for this type of analysis can prove to be very powerful."

Let's say we want to run the Weighted Action List only on stocks that are above their 200 day moving averages. To accomplish this, first run the Moving Average Status report with a moving average setting of 200 days and an existence time setting of 1. (To change individual report settings, in the ***Reports Application*** go to *Settings, Report Criteria, Daily Stock Criteria* and highlight the Moving Average Status report). After the report is generated, highlight a ticker in the Long Term section of the report and click on the *Build List* icon on the ***Reports*** toolbar. This will create a list called "Reports" which contains stocks that are above their 200 day moving averages.

The second step in the process is to run the Weighted Action List only on those stocks that are above their 200 day moving averages. In other words, we need to run the Weighted Action List only on the stocks in the "Reports" list. To accomplish this, again go to *Settings*, then *Global Criteria*, and *Daily Global Criteria*. In the text box next to the *Stock* setting, highlight "Reports." With "Reports" highlighted, all of the daily stock reports will now be generated only on the list of stocks that are above their 200 day moving averages.

We can now go to the main ***Reports*** window, highlight the Weighted Action

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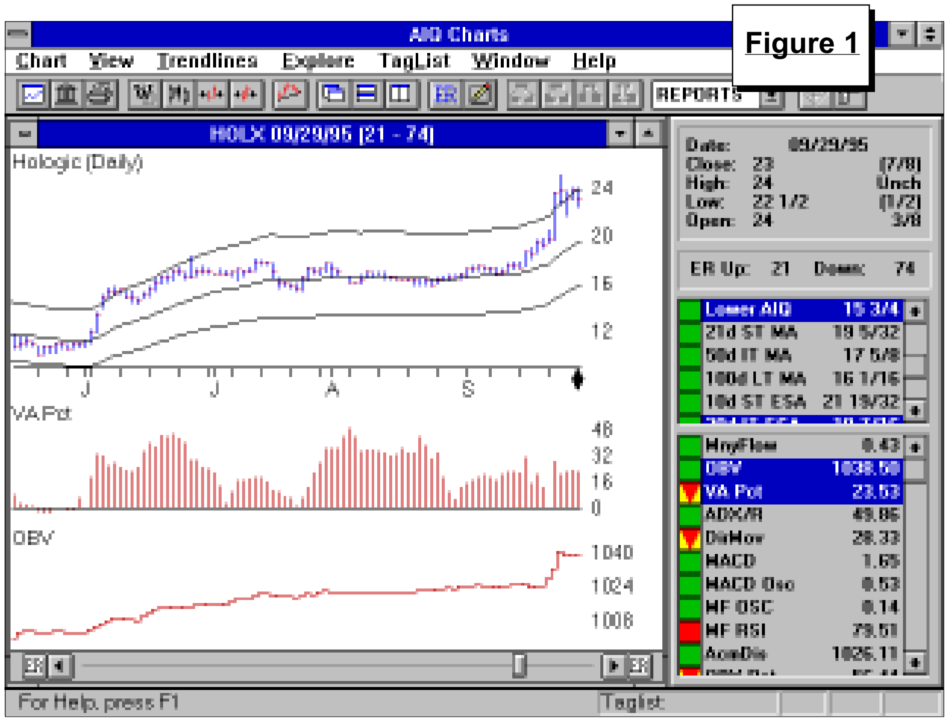
AIQ REPORTS *continued* . . .

List and from the *Generate* sub-menu, choose *Selected Report*. The result of the computation is a list of stocks that are not only on confirmed buy signals but are also above their 200 day moving averages.

Some reports, like the Moving Average Status report, can contain several hundred stocks. By default, the *Build List* function will use only the stocks at the top of the report. We can change a setting which enables the *Build List* function to save all the stocks in the report to a list. The number of stocks saved to a list is dependent on the setting for how many pages of a report you want printed. In other words, the Moving Average Status report may be 10 pages long. If your print setting for that report is set for one page, then only the stocks that appear on the first page of the printed report will be saved to the list.

In order to save all the stocks on the report to the list, you must change the print setting to all the pages of the report rather than just the first page. To accomplish this, go to *Settings*, *Report Criteria*, *Daily Stock Criteria*, and highlight the Moving Average Status report. The *Print Range* setting in the lower right section of the screen enables you to specify how many pages of the report to print. By clicking the option button for *All*, the *Build List* function will now save all the stocks on the report to the “Reports” list rather than just those stocks that appear at the top of the report.

Figure 1



The *Build List* and *Print Range* functions of our software were not designed for this type of analysis but it can prove to be very powerful. Let’s take an example using the Weighted Action List. As most of you know, this report lists those stocks that are on confirmed buy and sell signals.

The bullish stocks that appear on the Weighted Action List are ranked by the strength/weakness of their Positive Volume indicator (P-Vol). By setting the *Print Range* of this report to one page, the *Build List* function will only save those stocks near the top of the report. We can then run another report like the Accumulation Distribution report on this small list of stocks. Those stocks that appear at the top of the Accumulation Distribution report will have high Expert Ratings, a positive P-Vol indicator, and will be showing above average accumulation.

Backtesting this technique can be time consuming because multiple reports must be run for a given day. With each screening, however, the list of stocks narrows and the next set of reports takes less time. In preparation for this article, I ran several screenings at the end of every quarter dating back two years and examined the performance of the stocks over the next quarter. Most of AIQ’s reports are designed for a shorter time period than three months, so many reports proved irrelevant. My final model was designed for buying into strength.

Using a database of 1750 stocks, I wanted stocks that were in uptrends and were showing strong accumulation. To eliminate stocks with large bid/ask spreads, I entered a minimum price criteria of $10 and a minimum volume of 50,000 shares. My first screening used the weekly Moving Average Status report. I wanted stocks that were above their 28 week moving averages so the default settings were changed. All the stocks that appeared on the report were important, so the *Print Range* setting for this report was changed to *All*.

The second step in my screening uses the new Persistence of Money Flow report (in version 2.1), which was developed as a direct result of a talk given by Marc Chaikin at an AIQ seminar. This report finds stocks that have a Volume Accumulation Percent indicator (VA Pct) in positive territory

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AIQ REPORTS *continued* . . .

at least 90% of the time in the last six months. At our fall seminar, Mr. Chaikin revealed that stocks with explosive upward moves often have a persistently positive VA Pct in the early stage of the upward move. The Persistence of Money Flow report was run on the database of stocks that were above their 28 week moving averages.

The Accumulation/Distribution report was then utilized for the final screening. Since the Persistence of Money Flow by default uses only the VA Pct indicator, I set the Accumulation/Distribution report to use only On Balance Volume, thereby not duplicating the analysis. The Accumulation/Distribution report ranks the stocks in the order of their On Balance Volume indicator using a much shorter time period than the six months used in the Persistence of Money Flow report. The result is a list of stocks that are above their 28 week moving average, have a VA Pct indicator that was above the zero line at least 90% of the time in the last six months, and have a strong On Balance Volume indicator.

This technique did spot some stocks with spectacular gains. An example is Hologic (HOLX). Why our screening method picked this stock can be seen in **Figure 1**. The VA Pct is above zero for all but a few days and the On Balance Volume indicator (OBV) recently had a sharp upward move. This stock rose 80% in the next three months.

Because of some selected big winners, this screening strategy yielded a nice return. Since it picked volatile stocks, gains were spectacular when the market went up but the stocks underperformed when the market went down. Clearly, results would be much improved by incorporating AIQ's market timing model. In **Table 1**, we see a breakdown of the stocks selected and their performance for each quarter.

Running multiple screenings is new to TradingExpert and the above listed model is our first attempt at this approach. I believe that further testing will yield a bettter performing model.

In future *Opening Bell* articles we will continue to test the effectiveness of individual reports and test multiple screening models, especially on shorter time periods like the one used in this article. We've already seen impressive performance tests of the individual reports and we expect that adding multiple screening techniques will further improve the results. ■

David Vomund is publisher of two advisories for stock and sector fund investing available by mail or fax. For a free sample of the advisories, phone 702-831-1544.

Table 1

Year	Qtr	S&P 500 % Gain	Screened Stocks % Gain	Stocks Held
1994	1	-4.43	-11.41	CWP,PKN,CTAS,LGE,TNTF
	2	-0.33	6.62	FUS,EX,CXIPY,DLM,EFU
	3	4.15	2.07	OMC,FSR,CRP,CDN,MCN
	4	-0.74	-7.43	GSR,ALSC,ALS,SUMC,CHA
1995	1	9.02	6.09	BWC,SHR,TTRA,INVX,ILN
	2	8.79	42.17	AXD,ASMIF,KMET,BDK,INVX
	3	7.28	15.88	PKE,IIVI,GTK,SBE,BCC
	4	5.39	12.32	IFG,LUK,PCP,HOLX,DKAI

STOCK DATA MAINTENANCE

The following table shows past and future stock splits and large dividends:

Stock	Ticker	Split/Div.	Approx. Date
Mattel	MAT	5:4	03/04/96
Pittway Corp	PRY	3:2	03/04/96
Kent Electronics	KNT	2:1	03/04/96
Banc One	ONE	10%	03/07/96
Andrew Corp	ANDW	3:2	03/07/96
Redman Ind.	RDMN	2:1	03/11/96
Sanmina Corp	SANM	2:1	03/12/96
Southern Union	SUG	4:3	03/12/96
Somerset Group	SOMR	5:4	03/12/96
Valley Forge Corp	VF	3:2	03/13/96
United Video Satellite	UVSGA	2:1	03/13/96
Olsten Corp	OLS	3:2	03/13/96
Illinois Central	IC	3:2	03/15/96
Renal Treatment Ctrs.	RXT	3:2	03/15/96
Trans World Bancorp	TWBC	5:4	03/18/96
Speedway Motor Sports	TRK	2:1	03/18/96
Advanced Semicondctr	ASMIF	3:1	03/18/96
AFLAC Inc.	AFL	3:2	03/19/96
Central Parking	PK	3:2	03/20/96
Calif Amplifier	CAMP	2:1	03/25/96
Nature Sunshine	NATR	3:2	03/25/96
Barr Labs	BRL	3:2	03/26/96

Trading Suspended:
Cobra Golf (CBRA) Conner Peripherals (CNR) Merry-Go-Round Ent. (MGR)
Dial Page (DPGE) Capital Cities-ABC (CCB) Maybelline Inc. (MAY)

Ticker Change:
SCEcorp (SCE) to Edison Int'l (EIX)

AIQ USERS SHARE IDEAS

AIQ User Still Practices Lessons of Legendary Trader Jesse Livermore

By Grace Barbor

On October 12, 1929, Sidney Bing and his brother were tossing a softball in the street in front of their home in Lexington, Kentucky, when their neighbor Mr. Ackerman drove by. Mr. Ackerman always blew his horn and waved at the boys. That day, for the first time ever, he drove by without a gesture and went straight inside his house. Fifteen minutes later, he took a gun and shot himself. Mr. Ackerman had all his money invested in the stock market.

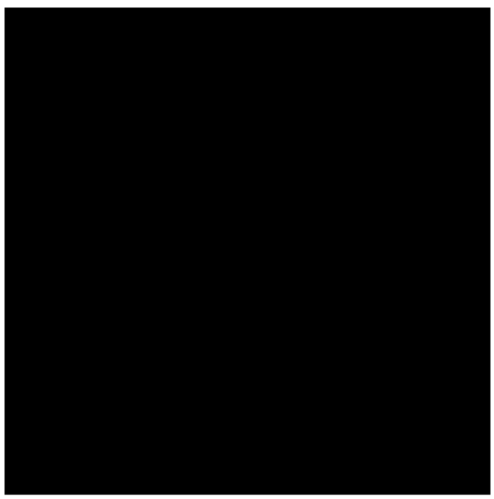
This convincing incident taught Sidney his first lesson about investing in the stock market — diversification. Given the speculative craze of the technology-stock dominated market in the 1990's, ghostly similar to the speculative craze of the 1920's, diversification makes Sidney feel comfortable. He divides his assets among stocks, bonds including municipals, and CD's.

As a student in the 1930's, Sidney learned two other lessons about stock market investing that he practices today — discipline and patience. He learned the value of discipline from a professor named Jay who taught a course in stock and bond investing at the University of Kentucky. He learned patience from legendary trader Jesse Livermore, whose books he studied in college.

As someone who has experienced the ups and downs of the stock market beginning with the Crash of 1929, Sidney says that, basically, the workings of the market have not changed through the years. "The only way the market has changed is that it is now computerized. But the elements of successful trading have remained the same. I can't tell you one thing that Professor Jay said, or Livermore wrote, or Baruch or Morgan did, that is any different today."

Sidney, who himself is now computerized and using TradingExpert for Windows, continues to follow the principles of discipline and patience that he learned long ago.

He remembers "like it was yesterday" the two-year course he took in stocks and bonds at the University of Kentucky Business School. At the beginning of every session — three times a week for two straight years — Professor Jay stood in front of the room and said: "Class— if the stock is



Sidney Bing studied the trading techniques and methods of Jesse Livermore in college and considers Livermore his "principal teacher."

not moving up and if the volume is not moving up, there is no reason to buy that stock."

Professor Jay's drillings made an impact on his students. It didn't hurt that Jay drove a Rolls Royce Cabriolet around campus.

What Sidney learned most from the professor's daily drillings and from studying the works of Jesse Livermore was "the importance of having a plan and sticking with it."

Sidney today follows a plan that encompasses finding fundamentally sound stocks, tracking them for entry points in TradingExpert using the Price Phase Line of the MACD as his major indicator, then exiting on pre-set stops.

Sidney scans the *NYSE Intelligent Tables* in *Investor's Business Daily* to find stocks of interest, checks them for fundamental soundness in *Value Line,* then tracks the stocks in TradingExpert.

"I'm very disciplined about watching the Price Phase Line of the MACD," he says. "Once the Price Phase Line crosses above the Signal Line, I watch the stock for three or four days. It may go down a point or two in those few days. If it fights its way back up, I buy it. But if it doesn't, if it's too tired and not being accumulated as it was before, then I pass."

Sidney also uses the Trading Channel Index. "When TCI is increasing, I'm interested. I have found TCI rules to be very effective."

Directional Movement is Sidney's third most important indicator. When all three indicators are telling him that the time to buy is right, he feels very comfortable. "If you feel comfortable about a stock, whatever indicators you are following," he says, "you are usually 85% right."

Sidney is also disciplined about heeding stop loss and profit protect stops. As soon as he buys a stock he sets variable stops in the Profit Manager. He sets a Principal Protect stop to not lose more than 8% from a trade. He uses the same figure (92%) for his Profit Protect stop.

A classic example of Sidney's trading plan is IBM. **Figure 2** is a chart of IBM. On January 17, 1996, the Price Phase Line crossed above the Signal Line and continued up. At the same time, TCI and Directional Movement turned up. Sidney's rules were in place.

During bull markets, Sidney is 100% invested with the money he has

AIQ USERS SHARE IDEAS *continued . . .*

allocated for the stock market. What has he learned from experiencing several bear markets? He believes the charts will tell you when a bear market is coming. "If that Price Phase Line coasts below the Signal Line, you can sit for a few days. But if the price for a stock hits your stop — sell. When you see this happening for most of your stocks — get out. Don't wait for the bear market to develop."

Sidney believes that patience is the most difficult element of successful investing for people to learn. He learned the value of patience from studying books by and about Jesse Livermore. His copies of *Reminiscences of a Stock Operator* and *How To Trade In Stocks* are ear-marked and laden with underlines.

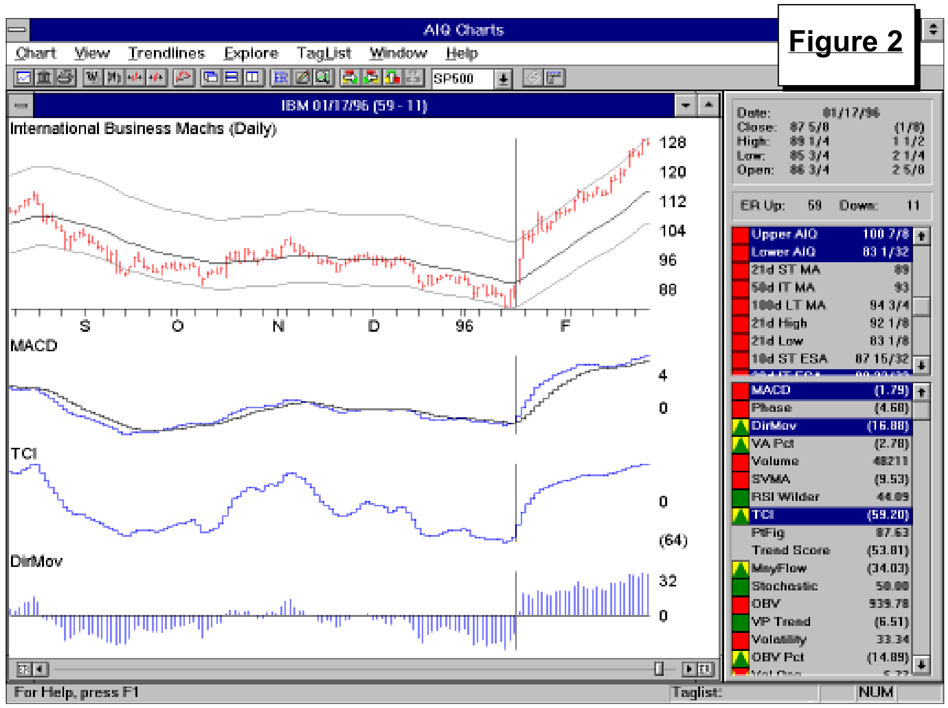
Over a lifetime of speculation in stock and commodity markets, Livermore developed a technical system for predicting price movement based on price analysis. He regarded his theory of the time element in trading as the most important factor in successful speculation.

Livermore avoided charts, thinking them altogether too confusing, and tracked price with a unique method of handwritten tabulation. The system he devised for recording prices and time gave him a clear picture (of price action) which he used as a basis for forecasting important price moves. In his book, *How To Trade In Stocks*, Livermore explains in detail his record keeping methods and how he determined what he calls "pivotal points" (price levels used much like chart support and resistance levels for timing trades).

Scattered throughout the book are numerous bits of wisdom which Livermore found to be important to success in trading the markets. These lessons, taught to him by both successes and failures, are just as valid today as they were in the days before the advent of computers and program trading.

The following paragraphs, taken from the book *How To Trade In Stocks,* pertain to Livermore's "lessons" and also his technical system.

Figure 2



Livermore Lessons

- Anyone who is inclined to speculate should look at speculation as a business and treat it as such and not regard it as a pure gamble as so many people are apt to do.
- Nothing new ever occurs in the business of speculating or investing in securities or commodities.
- There are times when money can be made investing and speculating in stocks, but money cannot consistently be made trading every day or every week during the year.
- To invest or speculate successfully, one must form an opinion as to what the next move of importance will be in a given stock. Speculation is nothing more than anticipating coming movements. In order to anticipate correctly, one must have a definite basis for that anticipation. For instance, analyze in your own mind the effect, marketwise, that a certain piece of news which has been made public may have in relation to the market......
- Have a fundamental basis to be guided by but, after forming a definite opinion with respect to a certain stock or stocks, do not be too anxious to get into it. Wait and watch the action of that stock or stocks marketwise.
- *Markets are never wrong* — opinions often are. If you believe an event is likely to have a definite bullish or bearish effect marketwise, don't trust your own opinion and back your judgment *until the action of the market itself confirms your opinion.*
- It is folly to try to find "a good reason" why you should buy or sell a given stock....The only reason an investor or speculator should ever

AIQ Users Share Ideas continued on page 6

Sidney Bing, 78, began seriously investing in the stock market in the 1950's. He retired in 1980 from a successful business of operating five women's apparel stores, and now spends his full time trading. Sidney has been using TradingExpert since the system was first released in 1992. He and his wife live in Atlanta, Georgia, with a winter home in Naples, Florida. Sidney says he does very well in the stock market. "The day I don't, I'll quit."

want to have pointed out to him is the action of the market itself...Remember: there is always a reason for a stock acting the way it does. But also remember: the chances are that you will not become acquainted with that reason until some time in the future, when it is too late to act on it profitably.

- In my method of trading, when I see by my records that an upward trend is in progress, I become a buyer as soon as a stock makes a new high on its movements, after having had a normal reaction.
- Experience has proved to me that the real money made in speculating has been in commitments in a stock or commodity showing a profit right from the start.
- While I believe that the successful investor or speculator must have well-advanced reasons for making commitments on either side of the market, I feel he must also be able through some form of a specific guide to determine when to make his first commitments.
- To be consistently successful, an investor or speculator must have rules to guide him.....I believe anyone who will take the time and trouble to study price movements should in time be able to develop a guide, which will aid him in future operations or investments.
- My recording method gives me a clear picture of what is happening....that by keeping proper records and taking the time element into consideration — *one can with a fair degree of accuracy forecast coming movements of importance.* But it takes patience to do so. ...sooner or later you will be able to determine when a major move is due.
- One of the primary rules is that one should never permit speculative ventures to run into investments.
- The investor must guard his capital account just as the successful speculator does in his speculative ventures.
- I believe it is a safe statement that the money lost by speculation alone is small compared with the gigantic sums lost by so-called investors who have let their investments ride.
- As long as a stock is acting right, and the market is right, do not be in a hurry to take a profit..... It may grow into a very large profit, and as long as the *action of the market* does not give you any cause to worry, have the courage of your convictions and stay with it.
- Profits always take care of themselves, but losses never do. The speculator has to insure himself against considerable losses by taking the first small loss.
- Never average losses. Let that thought be written indelibly upon your mind.
- Never sell a stock because it seems high-priced.
- Never buy a stock because it has had a big decline from its previous high.
- I never buy on reactions or go short on rallies.
- Do not make excuses when wrong. Just admit it and try to profit by it. The market will tell the speculator when he is wrong, because he is losing money. When he first realizes he is wrong is the time to clear out, take his losses, try to keep smiling, study the record to determine the cause of his error, and await the next big opportunity. It is the net result over a period of time in which he is interested.
- Few people ever make money by trading on the occasional tips or recommendations of others.
- Beware of inside information...all inside information.

"Livermore's lessons are just as valid today as they were in the days before computers"

Livermore on his *Market Key system*

Many years of my life were devoted to speculation before it dawned upon me that nothing new was happening in the stock market, that price movements were simply being repeated, that while there was variation in different stocks the general price pattern was the same.

The urge fell upon me to keep price records that might be a guide to price movements. The records told me plainly that they would do nothing for me in the way of intermediate movements. But if I would but use my eyes, I would see the formation of patterns that would foretell major movements. Right then I determined to eliminate all the minor movements.

By continued close study of the many records I had kept, the realization struck me that the *time element* was vital in forming a correct opinion as to the approach of the really important movements...I concentrated on that feature. What I wanted to discover was a method of recognizing what constituted the minor swings. I realized a market in a definite trend still had numerous intermediate oscillations. They had been confusing. They were no longer to be my concern.

I wanted to find out what constituted the beginning of a Natural Reaction or a Natural Rally. So I began checking the distances of price movements.....finally I arrived at a point that represented what I thought should constitute the beginning of a Natural Reaction or Natural Rally.

I decided a stock selling around $30.00 or higher would have to rally or react from an extreme point to the extent of approximately six points before I could recognize that a Natural Rally or Natural Reaction was in the making. This rally or reaction does not indicate that the trend of the market has changed its course. It simply indicates that the market is experiencing a natural movement.

AIQ Users Share Ideas continued on page 8

STOCK ANALYSIS

Top Down with a Twist — Combine Fidelity's Analysis with AIQ

By David Vomund

TradingExpert's industry group features were designed for top-down investors. These investors first pick an attractive industry group and then select an attractive stock within that group. The AIQ Pyramid industry group structure was designed to fit the needs of top-down investors since each stock shows a high correlation to its industry group index. A variation to this top-down approach is to use the same top-down methodology on an industry group structure comprised of the largest stock holdings in the Fidelity Select sector funds.

The Fidelity mutual fund family has thirty five sector funds, funds that invest in particular sectors of the economy. These funds cover a broad range of sectors including Defense & Aerospace, Leisure, Computers & Information, and Food & Agriculture. Rather than using one of the two sets of industry group structures that are shipped with our software, you can create an industry group structure that is comprised of the ten largest stock holdings of the Fidelity sector funds.

Your top-down stock selection techniques are then based on the activity of these surrogate industry groups and the stocks you will analyze for purchase are the stocks that the Fidelity fund manager has selected.

Why choose stocks using an industry group structure based on Fidelity funds rather than the S&P 500 or Pyramid group structure? Fidelity knows how to pick stocks. *Forbes* reported that of the 25 largest fund families, Fidelity equity funds has the best overall performance (see *Forbes* 02/12/96). With an industry group structure based on stocks that are selected by Fidelity analysts (who can pick stocks better than an analyst who only concentrates on one sector), the stocks that you examine for purchase tend to outperform the market. Because the Fidelity analysts pick the top performing stocks, the uptrends in the industry group structure last longer. If the Fidelity analyst does his job well and picks the best stocks, he can make a bad sector look good.

Fidelity has a monthly publication called the *Mutual Fund Guide* ($89 per year, 800- 908-0068) that lists the largest ten holdings of many of their funds including all of their sector funds. This will give you their holdings with about a 1 1/2 month lag. You can also request their free quarterly prospectus which also contains the top holdings, but the information is more out of date.

An example of how an industry group structure based on stocks selected by Fidelity can outperform a structure based on a broad range of stocks is seen by looking at last year's hottest group -- semiconductors. In mid-January, 1995, the Standard & Poor's Electronics (Semiconductors) group and the Fidelity Electronics group rose to the top of AIQ's group reports. While the S&P Electronics (Semiconductor) was breaking out of a nearly year long consolidation, an industry group based on the largest holdings of Fidelity Electronics had an upward bias (see **Figure 3**).

What are the disadvantages of this approach? Time. It takes time and effort to keep the surrogate groups updated on a monthly basis. Second, the holdings change. You may buy a stock that is no longer a holding. Hopefully, your analysis will help keep you out of bad sectors or out of stocks that are under distribution. Finally, the holdings of each fund do not necessarily move in line with the other holdings. There is no correlation test as there is in the AIQ Pyramid industry group structure. This means that the group index may not be a good representation of the activity of all the underlying stocks.

How does this approach work in practice? I've selected stocks with this method for my Fund Alert newsletter for over a year and the results have been very good. (Then again, throwing a dart at a newspaper would yield good results over the last year!) I still prefer my bottom-up/longer term approach to stock selection but there are times when this top-down Fidelity approach has led to my final stock selection.

On January 12, the Fidelity Medical Delivery fund was attractive. Examining its stock holdings, I came across Tenet Healthcare (THC). The stock was in a nice uptrend and showed little downside volatility. Its indicators pointed toward accumulation. Volume Accumulation Percent was above zero every day in the last six months and On Balance Volume was hitting new high ground (see **Figure 4**). THC didn't exhibit the volatility that a short term

Stock Analysis continued on page 8

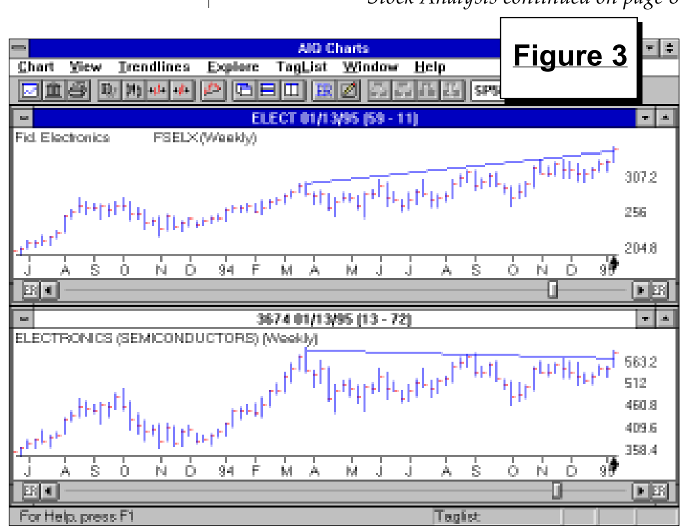


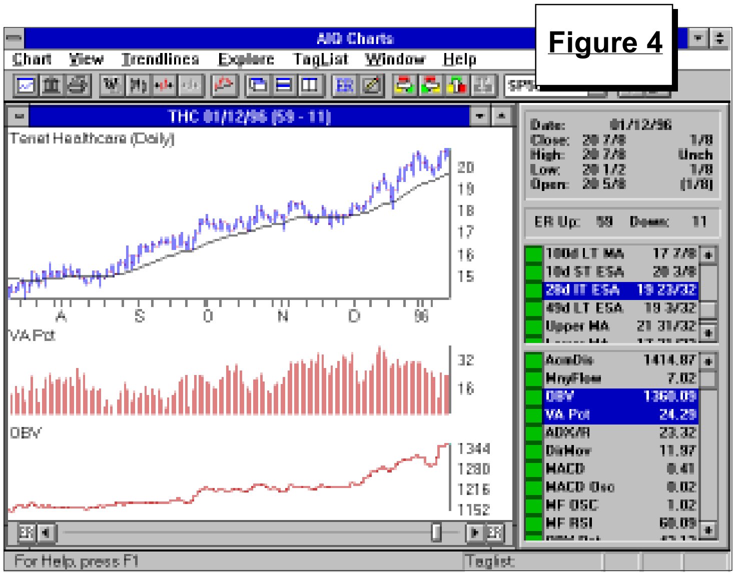
Figure 3

STOCK ANALYSIS *continued . . .*

trader would want, but it looked like it would be a strong performer over the next few months. As a result, the stock was highlighted in my stock newsletter as well as in my Fund Alert.

Performing a top-down method using holdings of Fidelity funds is just another means of limiting the stocks you follow to a set that should on average outperform the market. When the stocks you choose from tend to outperform the market, then the stock selection becomes easier. You will find that this approach often leads to some small-cap and mid-cap stocks that others are not finding. ■

Figure 4



MARKET REVIEW

There were no market timing signals in February, so we turn to the number of stocks with buy or sell signals to get an indication of the market's direction. As the market rallied, the percentage of stocks giving unconfirmed sell signals increased. On Feb. 9, more than 90% of the stocks with unconfirmed signals were on the sell side (using a database of the S&P 500). TRIN moved to overbought territory for the first time since 08/31/94.

The market corrected and on March 1 more than 90% of the stocks with unconfirmed signals were on the buy side. The ratio of unconfirmed stock signals can be early and should not be traded on its own, but it does give an indication as to short-term turning points in the market. ■ **D.V.**

AIQ USERS SHARE IDEAS *continued . . .*

Certainly success with this plan depends upon courage to act and act promptly when your records tell you to do so. *The intent is to catch the major moves,* to indicate the beginning and the end of movements of *importance....*

This formula is designed for active stocks selling above an approximate price of 30. While the same basic principles are of course operative in anticipating the market action of all stocks, certain adjustments in the formula must be made in considering the very low-priced issues.

Livermore on *The Pivotal Point*

Whenever I have had the patience to wait for the market to arrive at what I call a "Pivotal Point" before I started to trade, I have always made money in my operations.

It is when you set down prices in your record book and observe the patterns that the prices begin to talk to you. All of a sudden you realize that the picture you are making is acquiring a certain form. It suggests that you go back over your records and see what the last movement of importance was under a similar set of conditions. It is telling you that by careful analysis and good judgment you will be able to form an opinion. The price pattern reminds you that every movement of importance is but a repetition of similar price movements, that just as soon as you familiarize yourself with the actions of the past, you will be able to anticipate and act correctly and profitably upon forthcoming movements.

By keeping stock price records... you will be able to find many Pivotal Points on which to make a commitment for a fast movement. But to educate yourself to trade on these points requires patience. You must devote time to the study of records, made and entered in the record book only by yourself, and in making notes at which prices the Pivotal Points will be reached.

Bear in mind when using Pivotal Points in anticipating market movements, that if the stock does not perform as it should, after crossing the Pivotal Point, this is a danger signal which must be heeded.

Let us say that a new stock has been listed in the last two or three years and its high was 20, and that such a price was made two or three years ago. If something favorable happens in connection with the company, and the stock starts upward, usually it is a safe play to buy the minute it touches a brand-new high.... Then if it ever sells below the previous low, that stock is likely to be in for a major drop. ■

How to order Livermore books

How To Trade In Stocks by Jesse L. Livermore (first published in 1940) and *Reminiscences Of A Stock Operator* by Edwin Lefevre (the story of Jesse Livermore first published in 1923), are being offered by Traders Library to *Opening Bell Monthly* subscribers at a discount -- 10% discount for one book and 20% for both books. Call 800-272-2855, ext. 247.

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