The Wall Street Journal: Dec 5, 1903

Considering the extraordinary advance in wealth of the United States during that period, considering that railroad mileage has not increased in anything like the ratio of increase in surplus earnings, and finally considering that the ratio of increase in surplus earnings available for dividends has been at all times in excess of the rise in market prices and at the present time shows a larger percentage on market price than at any time since the boom started, the question may well be asked whether the decline in stocks has not culminated? There is at least some evidence in favor of an affirmative answer to that question.

The Wall Street Journal: December 7, 1903

DEVELOPMENTS OF THE WEEK

The market was strong, practically without recession throughout the week ending December 5 and prices advanced quite materially, with a great increase in transactions. The average price of twenty active railroad stocks which closed at 90.15, November 28, rose practically without intermission to 95.79 on Friday, December 4, and finished the week at 95.16. This is the highest point reached by the averages in pretty nearly three months. The most active stocks in the railroad list were Pennsylvania, about 500,000 shares (half stock), and an advance of 4½ points in the price; Union Pacific, 250,000 shares, and an advance of 3½ points; Rock Island, with nearly 200,000 shares, advancing 3 points; Atchison, 150,000 shares, advancing 2½ points; Brooklyn Rapid Transit, 250,000 shares, and an advance of 10 points; St. Paul, 125,000 shares, advancing 4½ points; Erie, 135,000 shares, advancing somewhat better than a point; Missouri Pacific, 110,000 shares, advancing 4 points; Reading, 170,000 shares, advancing 5 points, and Southern Pacific, 100,000 shares advancing 1½ points. In industrials, 450,000 shares of Steel preferred stock were done at an advance of 6½ points; 200,000 shares of Amalgamated Copper, at an advance of 4½ points, and 100,000 shares of Sugar, at an advance of 5 points. Sharp advances, moreover, occurred in a number of less active specialties in both the railroad and industrial list, the feature in the latter being the recovery in preferred stocks that has been attacked in the preceding week.

Undoubtedly the principal motive power in the advance came from the covering of a very large short interest, which proved to be more widely extended than the street generally had anticipated. It has been fashionable to sell stock short for some months and evidently more people have been in the fashion than has been generally supposed. It is worth noting that the rally was in progress during the week practically dates from the latter part of September, since which time pressure upon the market has failed to bring large offerings of stock. The importance of this is in the fact that this is the first long rally, in point of time, that the market has had since fourteen months ago when the great decline started. A good deal of evidence has accumulated tending to show that the decline in prices culminated in the early fall. Bearing in mind the fact that values, as expressed in railroad earnings, are still increasing, it must be said that there is great presumption in favor of the market having reached a level where investors may reasonably consider it safe.

The Wall Street Journal: September 17, 1904

ARE PRICES RISING OR FALLING?

We have often pointed out that there are three movements in the market
which are in progress at one and the same time. These are—first, the day-to-day movement resulting mainly from the operation of the traders, which may be called the top-to-bottom movement; second, the movement usually extending from twenty to sixty days, reflecting the ebb and flow of speculative sentiment which is called the second movement; and, third, the main movement, usually extending for a period of years, caused by the adjustment of prices to underlying values, usually called the primary movement. It is a very important thing to determine in which direction the primary movement is taking place. This is definitely more important than the question of whether investors. No more interesting question, therefore, can be asked at the present time than whether prices are rising or falling on the primary movement.

On Dec. 5, 1903, we printed an article dealing with the movement of prices, the concluding paragraph of which was as follows:

"Considering the extraordinary advance in wealth of the United States during the last quarter of 1903 it is not surprising that railroad mileage has not increased in anything like the ratio of increase in surplus earnings, and finally considering that the ratio of increase in per capita earnings available for dividends has been at all times in excess of the rise in market prices and at the present time shows a greater percentage on market price than at any time since the boom started, the question may well be asked whether the decline in stocks has not culminated? There is at least some evidence in favor of an affirmative answer to that question."

The events of the last nine months make it reasonably clear that the suggestion contained in the foregoing was correct. There has been a large advance since that time as measured by the average of twenty active stocks. It is worth while once more to recite the leading facts of the case. The average of the highest prices reached by the twenty active stocks reached a new high of 108.37 on November 10 the average closing bid was 108.12. The average of the high prices on the movement, moreover, reached 110.45, being 10.90 above the average of prices from May 16 and 21.05 from the lowest closing bid in 1903. On this advance, therefore, the market recovered one-half of the entire decline from the highest to the lowest prices of 1903, and more than one-half of the decline from the highest closing bid of 1902 to the lowest closing bid of 1903. On Sept. 10 the market had been advancing for 117 days. It is characteristic of the main or primary movement that the secondary movements in the same direction as the main movement are accomplished more slowly than what might be called the eddies. In the great decline of 1903 the downward secondary movements averaged 32 days while the rallies averaged 12 days. Since Sept. 28 last the declines have averaged only 42 days, while the advances have averaged 87 days. This would, therefore, indicate that there has been a change in the primary movement, which was evidently downward until a year ago. The fact seems to show that the primary movement is upwards at the present time. It must further be said that the extraordinary stability in railroad earnings, the comparative stability of bank clearings, and the fact that they do to a large volume of business in progress and the soundness of foreign trade, despite some falling off in interest balances, are also evidence that the decline in security prices has not been followed by general business depression for which no particular causes would seem to exist at the present time. Failing a large diminution in the maturing crops of corn and cotton, there is apparently nothing in sight to lead one to believe that railroad values are not on the whole maintaining their high position, and that as time goes on this will bring a further appreciation of prices. Much will depend on the coming winter, which will at all events bring a clear indication of the general trend of values. In the long run values make prices. It is safe to say that if present values are maintained, present prices are not on an average high enough.

In the Wall Street Journal: October 20, 1904

The Market's Position

On Tuesday evening the average closing bid price of the twenty active stocks was exactly twenty points above the average closing bid on May 15. In other words, the market is at least a "twenty point advance" all round so far as the general average goes. Taken by itself, this is an important fact more especially when to it is added the fact that at no time during that advance was there an important interruption or setback. As a result of the rise the market as a whole now stands at about the level at which it stood in the fall of 1901 after the excitement in connection with the late President McKinley's assassination had passed away. The highest average closing bid in 1902 was somewhat over 129, while the lowest average closing bid in 1903 was below 89, a decline of forty points. Of the forty points there have now been recovered in round figures about twenty-five points—this being over 60% of the whole decline.

This is, of course, an important recovery when looked at in this way. It is, however, important to note that the great decline in prices during 1903 occurred in the face of an increasing railroad earnings, for the net earnings of all the railroads taken together in the year ended June 30, 1904, were the largest in the country's history. Thus, during the long decline of 1903, values were in many cases actually rising while prices were falling, and allowing for increased capitalization charges, etc., values as a whole certainly did not decline appreciably. Notwithstanding the fact that there was no decrease in railroad earnings in 1903, earnings at present are materially in excess of those of last year and there are clear indications that the net earnings of railroads in the current fiscal year will be well ahead of those of last year, and will be much the largest in the history of the country. If we suppose, therefore, that the prices of 1901 were not unreasonable as referred to the values of that year or even of the year following, it is clear that present prices are not high by comparison with present values. The line of values even allowing for increased capitalization is probably, at this moment, higher than at any time since the great recovery began. In the spring of this year the discrepancy between the line of prices and the line of value was, undoubtedly, very large and the probability is that at the present time it is still considerable. To some extent at least the movement of the past five months must evidently be regarded as a process of adjustment of prices to values, and so far as surface indications go it would seem that values are likely to tend upwards for at least another year. Whether prices will follow is something that time alone can tell. In the long run, however, eliminating eddies and cross currents of speculation, values make prices.

The Wall Street Journal: April 10, 1906

The Price Movement

During the past week there has been quite an interesting development in the price movement of the active stocks. The last low point of twenty active railway stocks was touched on March 5,
The Wall Street Journal: May 2, 1906

THE MARKET MOVEMENT

In a space of eleven trading days, from Wednesday, April 18, the day of the San Francisco earthquake and fire, to Saturday, April 28, there was a decline of 10.77 points, from 122.66 to 121.89, in the average price of twenty active railroads. There was a rally of 2.17 on Monday, followed by a new break of 3.36 on Tuesday, making a total loss of 11.90 since the earthquake. Such a decline in so short a time is abnormal. Even in panics the fall has not been so severe on the average, although, of course, much more considerable in individual stocks broken below that figure previous experience of the averages shows that the movement indicated would have been something more than a moderate reaction and rise in the nature of a new downward swing.

As it is, prices have now recovered to within exactly a point of the high price recorded April 2. If the present movement carries them beyond that figure there will be fair evidence of a new independent upward swing. Tested over a number of years the averages show that the decline after a long advance is usually about half recovered, and that the market then backs and fills between the old low and that point till a new impulse develops. What is really implied is that the technical position of the market, after a rally based mainly on its oversold condition, is not one that will be followed by a downward swing. It is true that with a level change, other things being equal, of new buying or new selling starting an independent movement. The position is not so favorable as to be able to look at changes in outside influences. There is fair evidence that the stringent money conditions have been largely met thanks in part to the engagement of gold abroad, the check to the outflow of currency to other points, the return of the pension checks, the money attracted by the foreign loans, and the gradually easing money conditions all over the world. The political horizon also is clear. The only uncertainty is the pending Russian loan and it may be taken, from the recent action of the Bank of England and the fact that Paris did not outbid us for gold in London, that it has been prepared for.

The Wall Street Journal: May 19, 1906

THE PRICE MOVEMENT

There is something almost unaccountable about a market which acts exactly as it has been expected to. The movement of the average price of twenty active railroad stocks has shown such extraordinary conformity to type that people who take this method of gauging the extent and strength of the market movement are very much impressed. The market has, in fact, done exactly so far as the average price movement is concerned, what might have been expected from similar movements analyzed over a period of many years.

The market saw its top for at least a considerable period on January 22nd, when the average price of twenty active railroad stocks fell off to 125.00, and suddenly as the decline on the San Francisco disaster was, it is now plain that money market conditions, the poor demand for bonds, the low level of savings in real estate and other industrial enterprise and other factors were working for lower prices in any case. The decline this time did not come quicker than was expected. In such a decline a rally of from 40% to 60%, usually of a rapid character, has been a common feature of experience. From the high price of 128.36, the averages receded to 120.30 by May 3rd, or 18.06 points. At the close of the market on May 11th the average price was 128.16, a rally of 8.10, or a shade under 45% of the decline.

It will be seen that the recovery was steady and according to schedule. It was extraordinarily rapid and after the advance the market has begun to sag slowly in much the same way as from point A to point B of the preceding decline. The recovery was made in seven days, at the rate of 1.12 points a day, while the decline has been irregular, accompanied by individual recoveries. It has not carried the market down far from the top of the rally, after six days of trading, as the closing figure 126.90 shows.

The severe decline, the rally from May 3rd and the heavy irregular tone and sagging tendency of the past six days are all typical of the action of the market after a severe shock. Following the panic of 1896, the Flower panic, the December panic of 1898, the Northern Pacific corner, and the sharp decline from September, 1902, the market rallied in very much the same way and then gradually sold off, in spite of Individual strength, until a point somewhat below the old low was reached, when a narrow, traders' market developed until a real new impulse gave a new direction. The unexpected happens in Wall street often than anywhere else, but the experience of these typical occurrences is worth recalling.

The Wall Street Journal: June 29, 1906

THE WALL STREET BAROMETER

Speculation is essential not merely in the market for stocks but in any market. Somebody must take chances. The pound of flesh of the man who contains greater or less profit to the retailer as he judges the wholesale market correctly. Every market must therefore have what is called a speculative barometer. It is something of a rational barometer. It is the constant phrase of the street that a movement is over "when the news is out." Stockholders and intelligent speculators operate not on what everybody knows, but on what they alone know or intelligently anticipate. We have often seen the spectacle of a general decline in the market followed six months afterwards by a reformation in business, or a general advance in the market anticipated by an opening up of industrial conditions not then obvious.

It is the business of Wall street to sell securities to the public. Wall street anticipates that a movement that it expects matures, the public will take stocks off its hands. This is
really what establishes a bull market. Favorable conditions inside and out of Wall Street and a generally active business until the necessary impetus for a stock boom is developed. In the summer of 1904 when the unskilled observer was convinced that the market had passed through a period during which it was not able to continue the upward trend, the Dow Theory was still not fully formed. For the Dow Theory to be fully developed, it was necessary for the professional Wall Street to be more active in buying stocks. It was not until the end of 1906, when the Dow Theory was finally fully formed, that the Dow Theory became widely known and generally accepted. By 1906, the Dow Theory was accepted as a reliable indicator of the market's future direction, and it was used by Wall Street professionals to make investment decisions.

The Dow Theory: July 6, 1906

THE MOVEMENT

If the low average price touched by both industrial and railroad stocks on July 2 represents the culmination of a downward swing, the stock market is now in a very interesting position. It would be well to note the experience of past movements, if such were the case, and some reasonable inferences may be drawn. From the high of 191.90 in June of 1906, when the Dow Theory was formulated, to the low of 10.36 on January 19 by twelve industrial stocks, there were declines in the former to 129.30 and in the latter to 86.45, both reached May 8 which represented the low point of the railway earthquake decline. Since then the price of industrial stocks has crossed the old low, while the active railroad stocks have sold within 1½ points of it. It is a uniform experience, over the years when such averages have been kept, that a panic decline is followed by a sharp rally of from 40% to 60% of the movement, and then by an irregular sag ultimately carrying the price to about the old low point. It seems to need this to bail out the weak holders who were helped over the panic. It could hardly be till after the break, the broad average, the San Francisco disaster was exactly of the panic class, and the market in rallying recovered to 131.05% in the case of the railroad stocks on July 14. The price at which the earthquake decline started. The rally, however, does represent about 60% of the decline since January 22, and the recovery since has been roughly parallel to the movement observed after a panic rally. It seems fair to infer that liquidation of very much of the lower oil, following a panic has been necessary. It will be noticed that some closely held industrials, selling on a pool-created basis, have given a profit, while many stocks of doubtful value have lost heavily. This is simply another way of saying that people did not sell and sold what there was a market for, probably in some cases to protect what could not be sold at all. The first decline in a panic is severe, and the second and slower decline is the demonstration of the general shock to confidence. May it be not reasonably inferred that some such shock was reflected in the decline of the market on June 11th, carrying it down to the old low point or near it?

Another inference may be drawn on such an analogy. It is that the market is likely to wait for a new impulse at or somewhat above the low level. What impulse may be, whether it will come from good word, or from the ease money evidence of a continuance of past prosperity, or whether from something of a depressing nature, it is impossible to present at present. Logically, if the impulse were known the movement would have already started and there would be no problem to solve. It can at least be said that the line of prices is well below the line of values, and that all signs at present point to fair weather.

The Wall Street Journal: August 4, 1906

PRICE MOVEMENT

There has not been a more typical development in the price movement of stocks in years than that of the recent past. Taking the twenty active railroad stocks whose average price has been used for many years in this paper for purposes of comparison and which have conformed to type very closely. The average price after approaching the old low point of May 3 resulting from the San Francisco earthquake did not rally till the new impulse and has already rallied nearly nine points from the figure recorded on July 2.

This is quite in line with the usual action of a market which has received a shock, rallied and then sold off again. This is the normal movement and, while each part of it varies in extent, it has been the usual unvarying rule that on the second recession after the feverish rally the market balances within narrow limits waiting for a new impulse. Analysis of the price movement scarcely shows what that impulse was, but in the past month and particularly in the past fortnight there has been a vigorous upward movement which has all the character of an independent swing governed by influences of its own. The next point ever touched in the average was 188.36, on January 22 of this year. The lowest point of the year was 120.30 on May 3. From that low point the line in the market on June 11th had rallied to a figure above that of present ruling. The upward swing now in progress therefore would gain considerable strength and authority if the price passed that recorded on June 11th.
broken through it. There was nothing to indicate that the greater financial interests were taking special pains to protect prices, and so far as the public was concerned, faith was broken and hope delayed. It was obvious that an advance of 15 points was necessary to carry the average price past the old January high, while less than two points would have broken stocks through the earthquake low.

From the beginning of July, however, a distinct independent movement set in, checking occasionally, and not indeed stimulating any specially large volume of business, but gathering strength, and giving plain indications that underlying the movement must be a definite cause. Up to the time when the Union Pacific and Southern Pacific dividends were first called off, the movement might have meant anything.

Even a week ago, before any but a privileged few could have had any conception of the size of the Harriman dividend declarations, the market had already passed the highest point of their rally at the San Francisco earthquake. It is fairly certain that the underlying influence was not a new surge in railroad dividend policy, artificially anticipated. The market shows it, and particularly so in the fact that the average price of over four points since the dividends were made public. At the present figure of 136.98, the average price is already within two points of the old January high record. If the outlook be bearish with a possibility of the earthquake low being passed, it is reasonable to admit that it is bullish with a new top almost bordered.

The volume of business after the declaration of the dividends in question must show more than manipulation. It is absurd to suppose that within the two hours of a Saturday's trading any single interest could possibly manipulate 1,600,000 shares. The only inference possible is that the public has at last to some extent taken hold. On the enormous profit taking sales of Monday, it was evident new buyers were forthcoming.

It will be noticed also that since the big trading days immediately following the Harriman dividend declarations the volume of transactions has fallen off. Even when stocks are selling off the market tends to get dull. This is a usual condition after a general movement arising out of special news, like the Harriman dividends, has been checked by a development like this, the market will show a swing like 40% money. Stocks, in fact, are swinging backward and forward with a tendency to reach equilibrium and a coincident represented a decided bearish movement is being adjusted to the necessities and possibilities of the money market.

It cannot be said that the price movement really indicates anything more than the adjustment of an unusual but easily comprehended technical position.

**The Wall Street Journal: September 6, 1906**

**AN IRREGULAR PRICE MOVEMENT**

On Saturday, August 20th, the average price of twenty active railroad stocks touched 137.06, the highest figure since January 22nd of this year. Since that date there have been some remarkable fluctuations in individual stocks and a curiously unsettled price movement which will bear analysis.

After the violent fluctuations involved in the adjustment of prices to the San Francisco earthquake the market may be said to have turned on July 2nd, when the average price of twenty active railroad stocks was 121.76, or only a little more than a point above the low level reached on the earthquake decline. From the beginning of July up to August 20th there was a consistent advance very occasionally interrupted to a figure only 1.30 below the highest figure ever touched by the average.

In the eight trading days since the high figure of Aug. 20th was reached the extreme fluctuation has been surprisingly small in the averages, well in keeping with the movement of individual stocks. Union Pacific, for instance, has advanced seven points and declined five points in that time, and here have been fluctuations almost as considerable in a number of other stocks. The extreme fluctuation of the average, however, in that time has been 2.5 points, and while the market is less than a point below the last high figure. In the violent fluctuations of Tuesday, when Union Pacific advanced 3 points and declined 2, while St. Paul was equally irregular, the total change was .05%.


**THE PRICE MOVEMENT**

As giving within certain limits trustworthy indications of the possible course of the market, the average price of twenty active railroad stocks as published in these columns is worth study at present. There has been a well-defined movement in the past which may throw a little light on the ultimate meaning of the trading. Since this time has passed there has been an extreme fluctuation of a triffe over 3 points, with a low of 134.35 recorded on November 13, and a high of 137.56 on December 11. Within these narrow limits the volume of business has been very considerable, although outside of the Hill stocks and St. Paul the individual fluctuation have been extreme.

The average price has never crossed the old high of 138.36 recorded on January 22, although it has come very close to that mark. The average was recorded on the earthquake break, and has not been so closely approached, although on the reaction after the rally which followed that break there was a panic break in the market, stocks for a day or so looked like going through that price. Such a development would, of course, have been well-nigh impossible. Conversely, if the average price crossed the high of January 22, the bull point would be unmistakable.

It is a very good working rule that when a large number of transactions take place in a stock within a very narrow range of prices, that stock is either being accumulated or distributed, and the prices manipulated to facilitate one of those objects. By analogy, the average of twenty active railroad stocks shows some of this action, and very frequently does so. The three point fluctuation of the past month is apparently a case in point. At the close on Thursday the price looked like breaking through the last low point of November 18, and on November 26 very nearly the same price was reached. If afterwards stocks sold above the high of December 11, the indication would be decidedly bullish, and an advance beyond the high record of January 22 would make that assurance doubly sure.

If, however, the average eased off to a figure below the low limit of the present fluctuation, the indication would be bearish. It would certainly mean that the great bull market which has been in progress for the past six years would have terminated. It would rather indicate that we were in one of those periodic bear swings in a bull market which sometimes last for two months or more. In fact, a movement out of the market either way would probably demonstrate with considerable accuracy whether stocks are being accumulated or distributed.
while the advance did not pass the record high of Jan. 22. If it had done the latter the inference that we were still in a big bull market would have been inevitable.

It was remarkable at that time, and again after the market had rallied, bucked and filled up to Dec. 11, when the old high point was again approached, that the averages would give the best indication of the future course of the market. In two advances the old top had not been reached. After hovering within a point and a half of the May high point the market rallied a little on Thursday, but on Friday at last crossed the old low. It is true that the Northwest rights come off, but rights and dividends have been coming off ever since the averages were first instituted and such deductions average themselves like the prices. A short, but severe decline from Dec. 11 has carried us to a new low point.

If it would have been a bullish indication had stocks sold off above the January high in the September or the early December movement, it seems fair to infer that a drop below the earthquake low suggests that something like a bear market has been established.

According to the H. Dow's theory, which is about the only intelligible system of regarding price movements, there are three movements always going on, the rise, the fall, and the fluctuation, another is the short swing, lasting from three weeks to three months, which may be defined as a reaction in a bull market or a rally in a bear market, and behind all the great underlying movement extending over a period of years and practically corresponding to the recurring booms, there may be in any given period of every ten years or so which the world has seen even since it kept a record of its business.

There is no question that up to Jan. 22 last year we were in a bull market. What we have to inquire is did the bull market terminate then? The decline which culminated in the San Francisco earthquake, when the market price of the same stocks declined to 120.30, that the old bull market could not be considered as established unless the old high point was passed. In the early autumn and before the market broke in the early part of December, 1906, for one of the severest declines of recent years, it was possible to deduce from the averages that indications favored a decline. The old high point of January, 1906, was closely approached on September 17 of that year at 137.84, and again on Dec. 11 at 137.56.

Special attention is drawn to these two high points in an effort to establish a bull movement which had culminated. It will be remembered that the weakest feature of the advance of the autumn of last year was that there was no public response whatever to attempts to manipulate prices. Somebody was filling up the market with long stock all the time. It is even fair to infer, now, that important banking interests were getting out of stocks as fast as they could, leaving other interests equally important, but less sagacious, to sustain an impossible level of prices.

The Wall Street Journal: July 12, 1907

A STUDY IN PRICE MOVEMENTS

Probably no institution has become better known in Wall Street than the average movement of stocks shown in Dow, Jones & Co.'s table of averages, corrected from day to day and extending over a period of some seventeen years in its present form. It has been possible in these columns to draw some valuable lessons from past market movements. The Wall Street Journal has been able to point out by an analysis of the action of the market in past years, as shown in the average price of twenty active railroad stocks, that in 1905 the bull market had not reached its zenith.

As a matter of fact it did not so until Jan. 22, 1906, when the highest recorded price average of 135.90 was touched. It was possible to point out during 1906, and particularly after the San Francisco earthquake, when the market price of the same stocks declined to 120.30, that the old bull market could not be considered as established unless the old high point was passed. In the early autumn and before the market broke in the early part of December, 1906, for one of the severest declines of recent years, it was possible to deduce from the averages that indications favored a decline. The old high point of January, 1906, was closely approached on September 17 of that year at 137.84, and again on Dec. 11 at 137.56.

The Wall Street Journal: August 8, 1907

THE PRICE MOVEMENT

On July 12th it was pointed out in these columns that the average price of twenty active railroad stocks, which then showed a substantial rally from the low of 98.27, recorded on March 25th, 1907, would become very interesting if prices again approached the low figure. Since that date there was a recovery of 9.41 points or 98.68 on the higher figure of July 24th. Prices have now reached that point until the Monday of the following week, when the first serious decline set in. In that time the decline in the market has been from 107.51 on July 27 to 100.90 last night, a loss of 6.61 points. The decline yesterday was one of the most severe that has taken place in the month of August.

The average price, therefore, is now only a trifle under three points above the last recorded low figure of the March break. It was said on July 12th that if that low figure were crossed again, all previous experience of market movements indicated a further extended decline, values, crops, earning capacity, and political conditions notwithstanding.

Probably no one will deny that we have been in a bear market since January, 1906, when the record high average was touched. There have been strong efforts in September and the early part of December last year, but the long movement and the real current of the market has been downward. Our present movement cannot be considered as a bear market since it is not early to formulate any predictions as to whether a real recovery is to be established.

It is much too early to formulate any predictions as to whether a real recovery is to be established. It may broadly be said that after tangible fluctuations two failures to pass the old high establish the presumption of a bear market. Conversely it may be reasoned that if the present market breaks through the low average price of 98.27, as of March 25th, we are in line for a further decline, values, crops, earnings capacity and political conditions notwithstanding.

The price movement continued on page 125.
THE DOW

however, when there has been a marked rise in July, which was the case this year.

The Wall Street Journal: October 14, 1907

DEVELOPMENTS OF THE WEEK

As a matter of fact, it might almost be said that we were just at the point where there was a promise of a turning of the tide. As the area of business contraction extends, it must inevitably produce a considerable slackening in the demand for money, and this will open the way to the easing up of financial conditions, so that at the beginning of the new year there ought to be a much better situation, so far as Wall Street is concerned, however wide may be the slackening in trade and industry. Wall Street seems to be about completing its period of readjustment, just as the time the readjustment outside Wall Street is beginning. The latter will afford capacity for financial recovery and equilibrium. Therefore, in spite of the immediate gloom that envelopes the financial center, there seems a clearing ahead.

When the average price of twenty active railroad stocks was still above par on August 7, it was pointed out in The Wall Street Journal, the following day, that the market was only three points away from the low figure of March, and that the decline below that figure the indications would be decidedly bearish. The market has broken through the old low and has established a new record. While this would indicate that we are still in a bear swing, it must be confessed that there is a tempting opportunity for drawing a false analogy. When a market has had a drastic break, it is apt to rally quickly on the covering of shorts and purchases made to restore confidence. What happens after that is the true test. If the price does not go below the low figure of the break, the indications over a period of years have been practically the worst has been seen. In the present case, however, the break has been quite of that character, nor has it followed any sudden of short extent. The market has been more or less on the down grade for the past three weeks, but the recovery in September has not been very vigorous. To say that a new low point is always bearish involves a manifest fallacy, because there must come a time when the price cannot go any lower. A new low point after a panic and its typical recovery is one thing, but a new low in a liquidating market after irregular price movements is another. Some consolidation can be discerned, so that a further sharp decline is not indicated in anything like a definitely a way as it was in August.

The Wall Street Journal: December 25, 1907

THE PRICE MOVEMENT

When the low price of twenty active railroad stocks had declined, in a little more than a month, or from Sept. 21 to Oct. 25, from 101.08 to 88.49, it was pointed out that a rally was due, but that indications would be bearish if the so-called panic low price was crossed again. The rally from that price was distinctly feeble, and had only extended 242 points on Nov. 11, when the average price was 88.91.

It must be pointed out that in the strict sense of the word there has been any real Stock Exchange panic in the present decline. A decline, however severe it may be, does not constitute a stock market panic unless stocks actually get out of hand. There was a moment in the afternoon of Oct. 24 when the market went as close to an actual panic as it ever did in its whole history. U. S. Pacific sold down to par with a rush after 2 p. m., and but for the Morgan pool, with its $25,000,000 of call money at 10%, the only thing which could have stopped the decline on that day would have been the gong to close the market.

The distinction is vital. After a real stock market panic, as distinguished from a severe decline, the average price has always shown a regular movement in which approximately 40 to 60% of the decline is recovered, and subsequently lost as the stock bought to protect on the panic comes out. It may be said, therefore, that such a movement after the "almost" panic of 1893, could by no means have been expected. No one can say exactly where the decline started which ended temporarily then, and consequently no 60% rally was indicated, nor did any such rally occur.

There is, however, in the record of the average since Sept. 21, when the price was 101.08, a most interesting and symptomatic decline. The price of Oct. 29, 88.49, was crossed on Nov. 13, and the downward movement did not stop until 81.41 was reached on Nov. 21. The total decline to the true low point of the year on this movement was 19.62 points. Prices rallied rapidly, and on Dec. 6 had recovered practically half of this decline, the average price being 90.66, which is 9.15 above the low, and 46% of the decline since Sept. 21. By Dec. 17 the price had reacted to 86.81, losing 43% of the rally. Up to Dec. 21 there was a still shorter swing, which carried the price up again to 89.83, while the reaction on Monday to 86.11 is just 45% of the small rally of the previous four days.

What has happened then is, successively, a decline of 19.62 points to the actual low of 81.41, a decline of 3.05, a rally of 2.74, and a decline of 1.24. The resemblance to the oscillations of a pendulum, with a gradual diminishing as it approaches equilibrium, is positively startling. It is rarely indeed that the averages have given a more pictorial object lesson. The extent of the swing has diminished in absolutely regular proportion. The time of the swing has also shortened, as the first movement occupied 61 days, the second 15 days, the third 11 days, the fourth 4 days, and the last 2 days.

The market is coming to rest exactly as it would have, and all that is indicated now is a period of unimportant fluctuations until an absolutely new impulse is given. We have seen the low price for the year in all probability. It no longer carries special significance so far as our method of reading the averages is concerned. It would require a severe decline to carry us below the 81.41 recorded on Nov. 21. This decline itself would really mean exactly that new movement which the market is waiting for. An impulse might come from any one of a dozen directions. Cheap money in January might start a public buying, but the absence of such a movement might cause liquidation of stocks supported and protected in the darkest days of the past year. No one can tell, and one man's guess is as good as another's. What the averages really, is that the market must be watched closely, in order that advantage may be taken of the first real lull after a decline, or that extended over something more than twelve months.

APPENDIX

The Wall Street Journal: January 10, 1908

THE RALLY SINCE THE PANIC

The average price of twenty railroad stocks last night was 92.86 which compares with 92.23 on October 21. The average price of twelve industrial stocks last night was 63.50, as compared with 60.81 last October. Thus the stock market has fully recovered all of the losses made during the panic.

The average railroad is now only two points lower than it was on August 24, and the industrial average is six points lower. The rally in the stock market has therefore been very moderate. It is true that the impression that it is one of those sharp fluctuations which follow an extreme low point and precede, at greater or less distance, a permanent turn in the tide.

The Wall Street Journal: January 10, 1908

DEVELOPMENTS OF THE WEEK

In the past week the stock market has made a substantial improvement, the average price of the active railways and industrial stocks being at one time 3 ½ points above the figure at the end of the previous week. It is pointed out in this place at the end of Christmas Week that the market had approached equilibrium after a long period of vigorous fluctuation, with a declining tendency, and that an independent new impulse was in order. Since that time there has been a movement of over seven points upward, and prices are now about the level of October, before the semi-panic at the end of that month.

The development is satisfactory, although it is hardly likely that we are to plunge immediately into a long sustained bull movement. If we do, it will be for the first time in the history of any stock market.
The Wall Street Journal: July 8, 1908

THE PRICE MOVEMENT

One swallow does not make a summer, and one rally in the price list does not make a bull market. The market has had a recovery since the beginning of the week, and a little study shows that the average price of the active railroad stocks will not be un instructive at present. The price of twenty active railroad stocks has been more crossed over, after fluctuating around that figure, with a somewhat unsettled tendency since the top of the main rally reached on May 18, at 104.45.

In seven weeks the market has failed to rally to that high level, and it cannot be said that the present recovery so far has any essential characteristics which differentiate it from similar movements in the middle of June, and even that in the short-lived advance of Monday, June 29. It may fairly be taken that the market turned in a generally upward direction after the panic of last October, and in spite of recessions of a more or less serious character, that following the January advance, we may say that there has been more or less of a bull market for the past nine months. The long wait whether the advance culminated in the second extended upward swing, that which terminated on May 18.

On previous experience of the average movement, a general upward tendency extending far upward of eight months, could perhaps constitute a bull market, however irregular. But the sharper the periodical setbacks might be. The bear market which it succeeded has lasted from January, 1906, to October, 1907, and that forms a long period for any broad price movement. Some recovery was naturally in order from the fact that the market had over-discounted bearish conditions, and it remains to be seen to what extent the rally of twenty points from the October low had discounted the modest recovery in general business.

It is always possible to manipulate the stock market in one direction or another for a short time, but it is not possible to devise a financial combination strong enough to manipulate the entire average movements of stocks over such periods as we are now dealing with. It may, in fact, be promised with fair safety that only the secondary swing of the market is liable to be increased or retarded by artificial means, and that the effect of manipulation upon the great price is almost negligible over a period of years.

There is nothing to show in the average price at which the bull movement inaugurated after the panic is over, but the repeated rallies to near the high price of May 18 and the equally consistent failure to pass that point, call for careful scrutiny, as such a development often marks the end of a broad movement. It is only fair to say, however, that the price of twenty active railroad stocks crossed 104.45 on the present market movement, there will be a broad indication of a substantial further advance.

The Wall Street Journal: July 20, 1908

DEVELOPMENTS OF THE WEEK

During the past week the stock market has shown a fairly uniform tendency. The high point of the week before was passed on Tuesday.

Prices are now more than five points above the low figure which succeeded the high point of the year made on May 18. Industrial stocks, in fact, are nearly two points above that figure and the average price of twenty active railroads is less than half a point below it. This is an important movement and will look still more significant if the high point of the railroads is exceeded on the present advance. On all previous experience of the broad tendencies of the market, which are not seriously subject to manipulation, a further independent advance of some magnitude would be indicated, based on the temper of the Street and the public as distinguished from the incidents of the day.

The Wall Street Journal: July 21, 1908

THE HIGH POINT CROSSED

All students of the average price movement will note with interest the fact that the railroad average yesterday reached 105.50, which is 0.75 above the last high point established on May 18, when 104.45 was touched. This crossing of a preceding high point is usually significant of a bull swing in the stock market. It is also to be noted that the market is broader at the present level than it was at the May 18 (1908) level. A look at the usual August rise has started in a little ahead of time.

The Wall Street Journal: August 1, 1908

AGAIN CROSSING HIGH POINT

Again does the average price of railroad stocks break through the preceding high point.

On July 20 the average touched 105.25, crossing the previous high point of 104.45, made on May 18. Three days later the market had advanced to 106.24. That was the highest average until yesterday, when 106.75 was reached. To students of price averages this has the appearance of a bull swing. The market this year has started its regular August rise in July.

The Wall Street Journal: November 3, 1908

During the past week the average price of twenty active railroad stocks has twice, on Tuesday and Friday, approached within a quarter of cent of the high price of the year recorded September 9. As the market was active in the past year and in other years of recovery after severe depression, an advance to beyond the previous high point has always indicated a continuation of the broad bull movement. Experience shows also that the converse is true. If the old high point is approached more than once, but not passed, the subsequent break in prices indicates pretty clearly the termination of the main bull swing. The present movement is part of a tendency which has constituted a bull market since more than twelve months ago. The net gain on the week has not been large, but recoveries have carried further than declines. The movement of industrials is by no means so clear, and does not give anything like so plain an indication of the possible market change. On the stock market the trade was heavy, and the railroad average, 109.57, was only slightly above that of a week ago.

The Wall Street Journal: November 28, 1908

THE PRICE MOVEMENT

Three days before the Presidential election it was pointed out in these columns that the average price of twenty active stocks (railroad) was rapidly approaching the previous high price of the year and of the bull movement reached September 9. It was shown then that a new high level had hitherto meant a further vigorous advance, and that anything of the kind about election time would have great importance in forecasting the future movements of the market.

On Nov. 2, the eve of the election, the average price of twenty active railroad stocks crossed the previous high point. In conformity with previous movements in the market a most vigorous advance set in, carrying average quotations up over seven points before the rise checked on Nov. 18th. It is rarely that a forecast based, as this was, strictly technical conditions so instantly and thoroughly justifies itself. Nothing can be more deceptive than to regard a whole market through the medium of two or three active stocks. A limited number of stocks can be manipulated at one time, and may give an entirely false view of the situation. It is impossible, however, to manipulate the whole list so that the average price of twenty active stocks will show changes sufficiently important to draw market deductions from them.

The subject of stock market manipulation has about it a certain air of mystery, and consequently of fascination to the small outsider, who believes that the limited number of so-called "insiders" are always in a position to arrange months in advance what the market shall do. The reputation of being able to do this thing is no doubt very valuable to some large operators, the extent of their power has been most ridiculously exaggerated. All the manipulation in the world did not save such operators from tremendous losses in 1907. Since the public has bought stocks on their merits, anticipating some improvements in business, and it is safe to say that the market may have advanced far without any manipulation at all. Its top will be reached quite normally at the
figure where the possible improvement in trade has been over-discounted.

The average price of twenty active railroad stocks has been a very interesting condition and may give another valuable lead before long. The average price of twenty active railroad stocks reached 117.51 on Nov. 17th, the top of the year. From that figure there was a reaction of not far from three points, but the price has now recovered and on Tuesday was within a point of that high. If that high figure is crossed there will be the strongest evidence, unless all previous experience goes for nothing, that the bull movement is far from culminating. If, on the other hand, the last high price were approached again, but not crossed, and a three or four point break followed, it would look as if the main swing, which has been occurring since the panic, had for the present culminated.

The Wall Street Journal: November 30, 1908

In the past week the stock market has shown some irregularity. But on the whole a generally upward tendency. The average price of twenty active railroad stocks on November 21 had receded to 114.77, or nearly one point below the top of the year recorded on Nov. 17. The old high point has now been closely approached, and the movement is one calculated to stimulate public interest in the market. The public is not buying stocks in that indiscriminate way which was the feature of the trading immediately after the election. Business, in fact, has been marked by a resumption of the kind of stimulus which was found necessary during the long summer advance.

The course of price, judged by the average, is broadly upward, and there is nothing in the development of the week to contradict this theory.

The Wall Street Journal: December 14, 1908

The tendency of the stock market during the week has been irregularly upwards. After hesitating a little on Monday, there was a sharp advance on the following day, with irregular gains up to Friday, when some hesitation was shown and a recession in the average price of the railroad stocks and the industrials. The trading has been marked by the heavy speculation in what Wall Street elegantly called "cats and dogs." There has been a decided increase in the amount of stock carried by commission houses for customers, and in view of this phase of the speculation, a deterioration in the character of the collateral in loans.

The Wall Street Journal: December 21, 1908

A week ago the average price of twenty active railroad stocks was 118.18, the high point of the year. To a certain extent the market had acted consistently, as the previous high point had been crossed three or four days before, and that, in the present year, has always been an indication of a further bull movement. On Monday, however, the market developed serious hesitation. The only strong rally was on Wednesday, and a substantial net decline developed which carried prices back considerably below the previous high point of November 17.

From the appearance of the average price movement it looks as if there had been a systematic distribution of stocks. The average has not been below 116 or above 118.18 since November 20. This means twenty-two trading days with an average showing of sales of not far short of a million shares a day, the industrials and railroad stocks together did not fluctuate to the extent of 2½ points. This is a very striking fact and to most observers would indicate a period in which the market had been strongly held in order to facilitate distribution, especially as both the industrial and railroad stocks have broken through the line on the lower side.

It is a very large order to say that the bull movement is over. If the averages in fact established a new high point for the year the indicator would have to make an average advance of one point on the industrials and on four points. That is plenty of bull talk, and new bull arguments seem to be forthcoming every day. The average rise necessary, although not an unusually large one, or even approaching some of the upward swings of the present year, represents a very substantial movement. It is remembered that the whole list must move together, and that a point advance in Union Pacific, for instance, would only amount to one point in the averages.

As the figures stand at present, the averages decidedly indicate the possible end of an important swing upwards, and they also indicate the end of the fourteen months' bull market. This is a matter of pure conjecture, and it may be pointed out that this analysis, based solely upon the average movement of prices, is theoretical and does not profess to take account of general conditions.

The Wall Street Journal: December 30, 1908

THE PRICE MOVEMENT

When the average price of twenty active railroad stocks had declined to 115.50, there were below the previous high figure of 118.18, the bull market had not been more given the bull point so uniformly correct throughout the long advance, in passing the old high figure of November 17. Such an advance has hitherto meant an active resumption of the bull movement, but the trading which developed showed a marked variation. It is true that the November high point was crossed, but stocks acted sluggishly and on the Wednesday after Christmas, when the figure of December 12 was almost reached, the period of 26 trading days had been shown with a fluctuation of less than three points. This still looked rather like distribution, especially as the price had broken through the line on the downside on December 21, 1908. It is the more remarkable therefore, that the advance of the first days' trading after Christmas has cancelled the bearish indications, and renewed the old bear point given so strongly as each previous high price of the year was crossed during 1908. Unfortunately the industrial stocks do not give anything like so definite a lead, but the price there, within the space of one week, has recovered three and a half points, and is now less than one and
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a year, which must find itself checked sooner or later. There has been a return of stocks to the market, and there is probably more stock in the Street now than there was when the panic was rapidly closing in on the securities at low levels. The difference between the high figure of the average of twenty active railroad stocks in 1906 and the low figure following the panic touched in November, 1907, was 57 points, a loss of 54.5 per cent. The rally from that low figure up to last Saturday was 90 points or 62 per cent of the decline. There has been a considerable recovery in business as might have been expected after the exaggerated low point reached in the panic of 1907. Business, however, has not recovered 87 per cent of what it was in 1906, but that is the figure of the average price of twenty active railroad stocks as compared with the high of that year.

The Wall Street Journal: January 21, 1909

THE PRICE MOVEMENT

There is an interesting and somewhat tantalizing problem presented in the present fluctuations of the average price of stocks, especially since the beginning of the year. It may be that the practice of writing in the newspapers that neither the twenty active railroads nor the twelve industrial stocks, give any indication of the not infrequent January boom. So far from this being the case, the high point for the year was made in the railroads on January 2 and in the industrials on January 7.

The range of fluctuation in the railroad group since it took a definite upward turn and crossed the previous high point on December 28, has been so great as to make it impossible for the general market would be especially accentuated by an advance of one and a half points in the industrial average price, bringing it above the last high figure.

The Wall Street Journal: January 7, 1909

The present price movement is a striking example of one of those large swings of the market, extending in this instance over a period of considerably more than a marked increase of activity and strength in stocks would be necessary to make the averages a good argument for bulling the general market.

The Wall Street Journal: February 12, 1909

TENDENCIES OF THE MARKET

The action of the market since this year’s highest price of the twenty active railroad stocks was touched on January 2 has been exasperating to the trader, but ought to have intelligible lessons to the student. Since that date, we have had thirty-four trading days in which the extreme fluctuation in the average price has been 3.04 points or between 116.93 and 119.97. And after this long period of uncertainty we are still balancing midway, like Mahomet’s coffin.

The Wall Street Journal: February 26, 1909

STOCK PRICE MOVEMENTS

On Tuesday, Feb. 23, the twenty active railroad stocks used for purposes of comparison in The Wall Street Journal averages suddenly broke below a very well defined line, extending as far back as Nov. 24, 1908. In seventy-one trading days, with a single exception, the average price had not been below 116 or above 121. The movement after the election had amounted to about six points, or from 110 to 116, and had virtually culminated on Nov. 24. It is not to be obvious that in this three-month period a very large interchange of stocks has occurred. As a matter of fact, the sales daily never ran below 89,000.
shares, and exceeded 1,000,000 shares at times. What seems to be implied now is a move following this most prolonged resting period, and the market is liable to make a radical change. It has been frequently pointed out in these columns that there are three movements always in progress in stock prices. These are the broad market movements, upwards or downwards, which may continue for years and is seldom shorter than a year at the least; then there is the short market swing, which may take anything from one month to three months. These two movements are in operation together and, obviously, may contradict each other. They are still further complicated by the daily fluctuations, which may be the third current to be considered by the navigator in these difficult waters.

Anybody who admits that while manipulation is possible in the day-to-day movements, the short swing is subject to such an influence in a more limited degree, the great market movement must be beyond manipulation of the combined financial interests of the world. No combination could possibly succeed in influencing the market over such a long period. For instance, as between the semi-panic of October, 1907, and the high price touched on Jan. 2 of the present year. The period is too extensive and the manipulation, once more and the reasons for an independent advance are manifest.

In the same way it would have been impossible for manipulation to make any such decline as took place between the high price of December, 1906, and the low figure recorded in November of the following year. Moreover, the low price of January 11, 1907, has been remarkable for the fact that the main decline lasted less than a year, although the highest price in the active railroad stocks ever touched was in January, 1906. That figure was 138.36 on January 22, but on September 17, 1906, 137.84 was reached, and after a six-point reaction, 137.56 was touched on December 11 of the same year. Is it fair, therefore, to say that the main decline was from the latter figure.

It has often happened that the averages have given their best indications on the arrest of a movement rather than in the advance or the sharp break. What is really indicative of distribution, where the constantly floating balance of stocks finds new ownership. It can easily be imagined, for instance, that a number of people thought that the rally from the panic had gone far enough. Against this may be placed the invincible American optimism, which makes many believe that prices will run further and discount the inexhaustible possibilities of the continent. The new bulls of stocks obviously faced not the capital or accumulated profits of the old, and consequently were more liable to be frightened into selling as Tuesday's decline shows.

The price movement at present certainly seems to indicate that after an exceptionally long pause for distribution, new conditions have forced the new holders of stocks to sell. On the surface, the indications of the averages are rather bearish, but sharp advances would easily change them.

The Wall Street Journal: March 17, 1909

THE PRICE MOVEMENT

There is an interesting fluctuation in the averages of the price of twenty active railroad stocks as shown in the past ten days. The price has in fact alternately declined and advanced from day to day with a regularity of a pendulum. The extreme daily high was 35 and the smallest change in that time was 19. The net variation between March 8 and March 18 inclusive was less than 34% of 1%.

This curious swing movement occurs only very occasionally and quite often precedes a broad change in the general market swing. It is perhaps a little significant that after the regular daily fluctuation up and down alluded to, the sequence should have been broken by a further small decline on March 15. The movement itself, however, is altogether too small to draw broad inferences from. It cannot too often be said that the road to ruin lies in dogmatizing on charts, systems and generalizations. Trading on any basis is gamboling as distinguished from legitimate speculation. It is no more defensible than an attempt to break the bank at Monte Carlo with one of the innumerable systems which have tempted weak human beings since the beginning of time. It is a man first learned to count beyond the number of his fingers and toes.

Premising this it may be said that the showing of the averages since the first of the year has been decidedly discouraging to the speculative for the rise. The fluctuation has been within narrow limits, as in the case of the well defined line between 117 and 121 from which the market broke over three points suddenly on February 25. The decline was recovered soon afterwards but the rally did not hold well and stocks have been for sale on any recovery.

To doubt a very little would change the entire current of the market. A rapid rally of no great extent would put an entirely different complexion upon prices generally. The public likes to buy in a rising market. It is, in fact, upon advancing prices that the small speculative makes his furtive plunges in a market which does not really need him and could do very well without him, and complains for ever afterwards about the wickedness of Wall Street.

Such a bull market on the present showing of the averages would be easily possible in the summer or the early fall. Against this it may be said that commissions are too low to produce a market movement from two to three times as much money as they were at this time last year when the market movement was very definitely upward. The key to this is the bull sign in a dull market. It indicates something of a state bull market and tempts the professional to operate for a reaction. On that basis, the market, in a position to respond to bad news more readily than to good.

The Wall Street Journal: March 30, 1909

MOVEMENT OF THE AVERAGES

Not for a long time has the average price of twenty active railroad stocks and twelve industrials, as recorded in these columns for the past twenty-five years for the purposes of comparison, made a more hopeful showing than at present. The high point of the year was touched on January 2, but after that date the market swung downward, and toward the end of February the indication was decidedly bearish.

The real change appears to have come about in the last fifteen trading days. On Monday, March 22, there was a sharp advance and the active railroad stocks made the most vigorous move out of their rut since the beginning of the year. The movement looked hopeful, but on the following day the market receded and the technical bull point was in a sense taken back. On the following day, however, the market again developed real strength and is now selling at a higher figure than at any time since the beginning of the year, with the prevailing about the middle of February.

What has been shown is that after a period of fluctuation within very narrow limits, the market has made a definite movement out of that range on the upward side. Taking the averages merely as the mathematical analysis of the market movements, to a certain extent beyond the possibility of manipulation, the indifference of Wall Street to bear news on industrial matters is emphasized. On March 15 the averages for a day looked bearish, but rallied quickly and although chances then rather favored a decline on technical conditions, stocks nevertheless gradually developed strength and are now five points on the average above the figure of a fortnight ago.

One good sign also for the student of the market from such records as this, ignoring supposed outside factors such as tariff revision and industrial conditions, is that the market has steadily improved during the advance. This is usually a good indication, as there is plainly not much stock in the market at present which has been bought; it simply by becoming dull on small rallies and developing activity on declines.

On the closing figures of Monday night indications would seem to point to some continuance of bullish activity. This will be especially emphasized if the high point of the year 120.93 for the railroad stocks is crossed in the present movement.

The Wall Street Journal: April 22, 1909

THE PRICE MOVEMENT

When, on March 8, the average price of twenty active railroad stocks crossed the high point of January 2, it was pointed out that on all previous experience of the average the market gave indications of broadening and advancing further. This was in face of the fact that there had already been an average recovery of six points or so from the low point of February. The deductions
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proved legitimate. New high records for the movement were recorded on Monday and Tuesday, while the volume of trading has been broad enough to give importance to the movement.

The significant indication given by the advance of the end of March intensified by previous experience. It will be remembered that from the time the market began to rally in November, 1907, each successive crossing of the previous high figure, following a moderate reaction, added strength to the upward movement. How strongly that movement has been can be gathered from the fact that from December, 1906, to November, 1907, the average of twenty active railroad stocks declined to 83 points, or from 186 to 81. Since that low point was reached the recovery has been no less than 42 points in the face of the depression in general business.

There does not seem to be much stock in the Street. No doubt some of the larger operators are carrying fairly heavy lines, but they are helped by the cheapest of cheap money, and not incommoded by any public selling in unmanageable volume. The investor who bought stocks in December, 1906, and profiting exceedingly on the bulge in Wall Street is to the effect that one should never sell a dull market short. That advice is probably right oftener than it is wrong, but it is always wrong in an extended bear swing. In such a swing the tendency is to become dull on rallies and active on declines. The professionals on the floor of the Stock Exchange, to whom there are no shrewder judges of the market movement, took the short side of the market on every rally throughout 1907 and did not abandon that position until the real recovery had started.

The highest point the average price of the railroad stocks ever touched was on January 22, 1906, at 126.18. The chart indicates that this figure was closely approached twice in the course of the year. The market came within a point of it once on September 17 and once on December 11. It was from the latter point that the severe decline set in.

That decline carried the market down in a little under a year to 81.41 on November 21, 1907. It will be remembered that it was not until nearly a month after the October crisis that the big rally started. That rally was circular in character and it is noted that in the period before this circular action, the recovery to date has been nearly 45 points or 76% of the decline from the highest point of the average to the low point touched in November, 1907. During that recovery the most considerable reaction was in January and February, and was under 10 points. There have been nine definite reactions in the course of this most important upward swing and they have averaged barely 5 points apiece.

What is very clearly indicated in these figures is that the upward swing does not give as yet, any signs of culminating. For all indications in the technical condition of the market, prices, in spite of dull times and contingent uncertainties, may be well on their way to a new high record. The present figure for railroad stocks, in fact, is less than 13 points below the record of 1906, while the industrial average has recovered over 28 points of a fifty-point decline, and is now less than 12 points below the high figure of January, 1906.

The Wall Street Journal: June 5, 1909

PRICE MOVEMENT

On May 11 the average price of twelve industrial stocks made a new high figure for the year at 126.25, and two days afterwards the average price of twenty active railroad stocks followed that example, reaching 126.18. The industrials soon crossed the high figure of May 11, but the active railroad stocks did not make a new high point until June 8, when they reached 127.14. In the interval they had reached a trifle under a point and a quarter.

Both averages, therefore, were on June 3, at the high point of the year. It will hardly be contended that values as indicated by stock prices have so nearly attained to the high level of 1906 within eighteen months of a world-wide panic it has been impossible of cushioning. The same remark may be repeated now with entire consciousness that a number of securities may be selling below real values. The average price of 12 industrial stocks is, in fact, within nine points of the highest figure ever touched, on January 19, 1906; and the twenty active railroad stocks are less than seven points away from their record figure reached two days afterwards.

The Wall Street Journal: June 24, 1909

PRICE MOVEMENT

Since the average price of twenty active railroad stocks touched 126.28 on June 11, and that of the twelve industrials 94.19 three days afterwards, there has been a reaction of over 4 points in the latter, and of almost as much in the former. This is the first considerable reaction since the market started to advance in February. The rise from the low figure of 113.90 on February 23 in the railroads and 79.91 in the industrials has been continuous, and the gain recorded since those dates amount roughly to 15 points in each case.

This is a long upward swing, and on all technical conditions the market was overdue for a reaction. There were five measurable set-backs since the low figures following the semi-panic of October, 1907, were recorded, and that of the past ten days makes it the sixth. According to precedent it ought to run further, although there are modifying conditions which would probably prevent the intelligent trader from following the decline far, however, before he might be on general conditions.

At 126.28 the average price of active railroad stocks was only 10 points away from the highest figure ever touched, in January, 1906; while the industrials reached within less than 9 points of their record. This is undoubtedly a high range of prices, and one which even to the most sanguine indicates that a great deal of possible improvement in general business conditions, together with the best conceivable agricultural results for the year, have been discounted.

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This is a long upward swing, and on all technical conditions the market was overdue for a reaction. There were five measurable set-backs since the low figures following the semi-panic of October, 1907, were recorded, and that of the past ten days makes it the sixth. According to precedent it ought to run further, although there are modifying conditions which would probably prevent the intelligent trader from following the decline far, however, before he might be on general conditions.

At 126.28 the average price of active railroad stocks was only 10 points away from the highest figure ever touched, in January, 1906; while the industrials reached within less than 9 points of their record. This is undoubtedly a high range of prices, and one which even to the most sanguine indicates that a great deal of possible improvement in general business conditions, together with the best conceivable agricultural results for the year, have been discounted.

It will hardly be contended that values as indicated by stock prices have so nearly attained to the high level of 1906 within eighteen months of a world-wide panic it has been impossible of cushioning. The same remark may be repeated now with entire consciousness that a number of securities may be selling below real values. The average price of 12 industrial stocks is, in fact, within nine points of the highest figure ever touched, on January 19, 1906; and the twenty active railroad stocks are less than seven points away from their record figure reached two days afterwards.
THE DOW THEORY

The Wall Street Journal: July 10, 1909

THE PRICE MOVEMENT

In the present condition of the market study of the average price of the active stocks is fruitful and should give some instructive indication on the possibilities of the market. The previous high point of the average price of 20 active railroad stocks was 128.28 and was recorded on June 11 of this year. A few days before the industrials taken for purpose of comparison in The Fall Street Journal's averages touched 94.66. The railroads, therefore, were only 10 points away from the best figure ever reached, that of January, 1906, while the industrial stocks were within less than nine points of the record.

Since June 11 there has been a reaction in each instance of between three and four points followed by a period of considerable dullness, in which nevertheless the market was rallied, showing the principal strength in the railroad department in spite of some individual activity in United States Steel common stock. Without crossing the last high point the railroad averages in the recent past has risen to 126 or over. It would almost seem as if the market were fighting to make a new high level. Such a movement has some parallels in the past and on previous experience of the average, extending over a sufficient number of years to indicate something like a law in the matter, such movements have been highly significant.

The broad advance in the stock market has experienced a half a dozen appreciable recessions of from four to ten points in a period of twenty months. This is a very long upward movement and may be said to be more than what is technically known as a "primary" movement, which means a movement of, at most, a very few months duration. We are plainly in a bull market and it may be said that each new high point has meant a subsequent further advance.

The indication is always stronger when both the industrials and the railroads make such a new high level about the same time, and the industrial group is still measurably below the last high of June 5.

On the other hand, the repeated approach to an old high point through a high point being definitely crossed has before now indicated the end of a bull market. This was noticeably the case in September and December of 1906, when the high point of the previous January was approached but not crossed. What followed was a very severe break in the market, extending over eleven months.

From the averages it may be said that the indications are still bullish. It is obvious that there are no factors working in the present cheap money market to cause any such decline as that of 1907. A very little would establish a new high record, and with the cheapest of cheap money to finance stocks the market could be carried materially higher, although any conservative judge would admit that the present range of prices is decidedly high.

The Wall Street Journal: August 21, 1909

MOVEMENT OF AVERAGES

Average prices of the score of railway stocks represented in the daily movement and back to a point midway between the average reached on August 1 and that of August 2, the next business day following. Whatever gain had been made for this month is now lost. On Monday, August 2, the range averaged at 131.55. The maximum of advance was reached on Saturday, August 14, 134.46, so that a full gain of 2.91 occurred. Meanwhile there has been a total decline of 3.49 points on three out of four days, offset by an advance of .44 points, leaving a net loss for the period ending with Thursday, 10.5, and placing the average at 131.41. The high point on previous record was 138.36, in January, 1906, so that the current level is 6.95 points below the maximum.

In the industrial group the average of the twelve stocks at 97.71, after two days decline, had still a small margin left above that of 97.22, at which the group entered the month of August. The larger of the industrial averages that month occurred in the fourth business day after the opening on August 5, when a loss of .39 was recorded. Since that time there have been seven days of decline, representing a net loss of 9.55 points, and eight days of advance, representing a gain of 4.47 points, with one day unchanged. This brings the total of the two groups within ten days of September 1, with industrials within 5.27 points of their maximum of record. What followed was a low point of record reached in the middle of November, 1907, when panic level was struck, the average of the twenty railway stocks has gone from 81.41 to 53 units higher, or an advance of almost 60% in average prices. Between the previous maximum of 1906 and the panic level of 1907 there was a drop of 43% in railways.

These records apparently indicate that the movement of averages is not yet at the turning point. After a long low swing, terminating in a crisis, the period has elapsed during which advances moved up toward the beginning of a high continuous level. The immediate question is whether the advance anticipated is to be extended from the present points of averages or whether a further upward drift is to be awaited. If the recent years are to be relied upon, the weight of probability would seem to require that the advance should go to a point not below 140 for the score of railway stocks. The maxima of 1905-06 and 1906-07 stood for seven different months between 133 and 140. Then, values had no such slack rope of prosperity to take up as exists now. There was no such abundance of funds and corresponding low rates of interest, nor was there the elasticity in the demand for commodities such as characterizes the present commercial situation. The effect of these upon security values should ultimately be to make for higher prices, provided counteracting influences such as the large issue of new stocks or unforeseen checks to prices do not intervene. Of course, the tendency of prices to rise may be checked by increases in the gold supply, affects security averages as well as commodity averages.

APPENDIX

The Wall Street Journal: August 24, 1909

INFERENCES FROM THE PRICE MOVEMENT

Last week the average price of twelve industrial stocks and also that of twenty active railroad stocks, kept for a number of years by this newspaper for comparison with the highest figures recorded since 1906. In both cases they were less than four points from the highest point ever reached by the averages. There was a break in some of these prices in the average price of the railroad stocks, followed by a substantial recovery last Saturday. The situation is interesting and some inferences may reasonably be drawn from it.

During the long advance which began in November, 1907, and has not yet culminated, the stock market, judged by the average price of the railroad stocks, has had six reactions, none of them extending to ten points and with one exception with none much larger than the setback of last week. This is a remarkably small reaction when the extent of the advance is considered. A week ago the twenty active stocks had recovered no less than fifty-three points from the low figure of twenty-one months ago. A more considerable reaction than that which has been furnished would seemingly have been in order, but it has so far failed to develop. It is evident that we are still in a bull market and no attempt to ignore that the indications of the averages are still bullish, in spite of the remarkably high range of prices. A year ago the bull of 1906 was still in its first period of cheap money before him, while he could buy securities obviously cheap on their merits. Many of the favorable factors upon which he was to build his optimism have been now discounted, and we have now become more skeptical concerning the gold supply, affects security averages as well as commodity averages.
The Wall Street Journal: September 11, 1909

CHANGE IN THE PRICE MOVEMENT

In the face of Friday's sensational recovery there are indications in the movement of prices as a whole that the conservative observer cannot afford to ignore. They should be very carefully considered by anybody tempted to believe that E. H. Harriman's death ought to be the signal for the resumption of the bull movement.

Thursday saw the most important change in the price movement, considered from the point of view of the average price of stocks, that has occurred since the great bull market started in November 1907. For two weeks the market had been on the downward path. On October 23 the railroad stocks sold below the low figure of September 9 and the industrials gave a similar indication. The reasoning which has made students of the averages bullish on each new high point for the past two years the present indication may be unreasonably running up and running off again, but the decline has exceeded the advances in a way to indicate a very strong and a speculative position in weaker hands than it had been during the main upward movement. The failure to hold rallies in the face of weakness was especially marked, and is well worthy of the attention of those students of the market who draw inferences from the average price of these 32 stocks, the manipulation of all of which at one time would be beyond the power of any single financial interest.

Against this argument it must be admitted that the market on this reasoning gave a bear indication on September 9, which was belied by the subsequent action of stocks. This is not an uncommon indication where a market shows signs of turning; but upon the whole the movement's indications for lower prices are more impressive than those pointing to a resumption of the main bull movement. The railroad stocks would need to rally vigorously and the industrial stocks five before we could confidently assert that the broad bull movement had been re-established.

There is no pretense here to pass an opinion upon the market from any other point of view than a purely technical one, based upon the experience of the price movements as shown in the average record of many years, but the depression in the barometer here evidenced is well worthy of the consideration of thoughtful traders.

The Wall Street Journal: December 18, 1909

THE PRICE MOVEMENT

A Massachusetts correspondent, who is a close follower of the stock market through the movement of the averages, writes as follows: "Probably the railroad magnates want stocks for a horrible advantage. I am inclined to think that probably a few points may be achieved towards a lower quotation; but an eventual result will be to rise, and the amount of upswing, based on expectation of future values." It is curious how widely this idea of a bull market in the coming year is held. Such bears as there are seem to take the view of a temporary fluctuation, giving them an opportunity to buy some of the stocks which they consider overvalued. The character here described. A good many of the professionals sell the market short on bulges, but they are almost unanimous in their opinion that stocks have not yet seen their high point.

There seems to be no use in trying to
run counter to an opinion so universally held. The averages give no indication whatever. For many weeks they have fluctuated within a space of a few points, vacillating between the high of October and the low point at the beginning of the present month. The volume of business shows a tendency to decrease, while speculation has been confined to a limited number of stocks.

This does not tell much, but it does indicate to some extent a market approaching to equilibrium, where a new impulse is necessary to set the pendulum swinging again. Which way the big swing may be no one can surmise from technical conditions alone. The public is not in the market. Stocks are probably concentrated in fewer hands than they have been since the panic of 1907. The big men do not seem to want to sell, although one would suspect that they have expended a good deal of ammunition on trying to stimulate a public interest. Dividends have been increased or restored on half a dozen of the big roads, while valuable rights have been distributed on as many more. All this "melon-cutting" has not failed to awaken public enthusiasm.

There are serious possibilities before the market, both in the matter of the labor situation and the pending legislation at Washington. Nobody ever made much money selling the market short on a strike, but these lavish distributions to stockholders, made in October or earlier, to stimulate a demand that labor should share in the good things. Underlying other factors is one which is so all-pervading that it is not recognized. This is the high cost of living. Something has got to break sooner or later, and in similar circumstances in past times, we know that something did break when the toleration point was passed.

This is not to express any bearish opinion upon the market, but it is only reasonable to point out that in Wall Street it is not the majority which is usually right.

By all accounts we are to have a great bull market in the next six months when the public is to take stocks at the top. So far the judicious distribution of ground bait has not attracted fish in any great numbers.

The Wall Street Journal: January 18, 1910

THE PRICE MOVEMENT

In a study of the price movement published in these columns on December 18, it was pointed out that the stock market, as reflected in the average price of stocks, tended to approach equilibrium, and that a new impulse seemed necessary to set the pendulum swinging again. No explicitly bearish opinion was expressed, but the possibilities of the labor situation and threatened legislation at Washington were pointed out. It was said then that an overwhelming public opinion anticipated a January boom, and that in Wall street the majority was seldom right.

So far from any boom developing at the new year, the averages show that the market is not only out of its rut, but is beginning to give definite indications of the possibility of a further downward movement. February 1st, the low point of the year was reached in the railroad stocks on September 20, and in the industrials on October 1, the market, instead of making new attempts to reach February 1st or rally again and again, so that throughout the fall the range of fluctuation tended to become narrower. There was a rally whenever the market began to show strength at the beginning of December was approached; the market became dull and reactionary before a rally could be established, and even at the new year the same appearances prevailed, although in the first week of January it was already plain enough that technical conditions were changing.

Heavy liquidation has filled the market with stocks, and on Jan. 14 the market price broke through the old low points of six weeks ago in a very definite manner, both in the industrials and the railroads. In the long advance which may be said to have culminated in September and the beginning of October the market for nearly two years had given a plain and profitable bull indication every time the previous high point had been passed in the averages after a recession. Indications on the bear side were of a vague and inconclusive character afterwards. Reactions were not of sufficient extent to make new low points convincing. The indication is a little clearer now, and with a reaction from the high of 1909 of over six points in the industrials, and over eight points in the railroads, it is fair to assume that a radical change has taken place in technical conditions.

It is at least clear that the back of the big bull movement has been broken and that time will be required to build up a new one. We cannot grumble. We enjoyed as a main movement, one of the longest and most profitable upward swings in the history of the averages. The range of prices so established was so high as to be entirely unattractive to speculative public. This fact not to say that a higher level cannot ultimately be established, but on usual and fairly reasonable methods of reading the averages the indication given is distinctly bearish.

The Wall Street Journal: January 24, 1910

It is a usual course for stocks, after vigorous pressure following a prolonged upward movement, to rally sharply. Recoveries in a bear market are always brisk when once stocks begin to get sold out but are usually followed by a period of dullness and uncertainty consequent upon the necessity for distribution of stocks bought to support the market. Something of this kind may be expected in the present week, and the true test will lie in the capacity of the market to absorb such stock.

The Wall Street Journal: February 19, 1910

PRICE MOVEMENT

In a study of the price movement on January 18, it was pointed out that for the first time since the long advance of 1908 and 1909 set in, the average prices of the railroad stocks and industrials gave a distinctly bearish indication. For two months the market had fluctuated within a narrow range as if, to use a well worn simile, the pendulum was slowing down to equilibrium and the market was waiting for a new impulse. Stocks broke through the low point recorded in December; a new low was established, and although prices were then several points from the high of last October, a further downward movement was indicated.

This movement came in due course, and it was not until February 8 that the bear swing, which had been extending for some weeks, culminated. From the high figures of 1909, the average decline in the industrial stocks had been 15.50 points, and that in the railroads 13.65. Since February 8, there has been a significantly sharp rally, amounting in each instance to 30% of the decline. Discarding outside influences, and reasoning on the indication of the averages alone, what is the inference from technical conditions?

It will generally admitted that we were in a definite and well-developed bear movement. The bull market was dead last October, although it was some time before we realized it. Does the week's rally indicate that a new bull market has started, or is it merely one of those sharp recoveries which are typical of an extended bear market? Past experience certainly points rather to the latter inference.

In a broad bull movement, sharp recoveries are in order. The rally of February was the result of the market suffering from too much company on the bullish side. Commission houses were overextended. Large operators who bought much lower down perceive the weakness of the position, and a market which has advanced 25 points on the average in seven months easily loses 20% of its gains in seven days in the same way, rallies in a bear market are always sharp, and there is nothing in the least abnormal in the substantial recovery shown in little more than a week. After a prolonged decline, exactly such a recovery was in order.

A rally of 30% of the decline is considerable enough to wipe out much of the invaluable support afforded by an extended bear position. Sentiment changes, and there is once more a bull party confident and even aggressive. Results may or may not justify such confidence. So far as the averages are concerned, they have not given any really bullish indication, and any reaction of movement now would look bearish, especially if lower prices than those of Feb. 8 were established.
THE WALL STREET JOURNAL: March 19, 1910

A month ago we discussed in these columns the price movement as shown in the average fluctuation of twelve industrials and twenty railroad stocks. It was pointed out that the recovery, and the development of a new bear party powerful enough to take care of itself, and entrenched in the knowledge that a genuine and broad new impulse would be necessary to continue the recovery with the old vigor. Prices, therefore, began to hesitate, and we are now at one of those critical and interesting periods.

To judge by the absence of public interest, there can hardly be any broadly extended bull position. There must be plenty of large professional operators long of the market, as distinguished from the absolute amateur who trades, when he does trade, in small lots but in large aggregate volume. Against this there is doubtless an influential party which does not believe in the market at its present level. From the showing of the averages, in spite of the strength of the past day or two, the tendency seems lower, but no very clear indication beyond the exhaustion of the rallying impulse is yet given.

The WALL STREET JOURNAL: April 16, 1910

A month ago the condition of the stock market as a technical proposition was considered here. It was then pointed out that if any tendency toward a development of a bear market has been indicated at all, it was downward. The average price of twenty active railroad stocks was then 125.66, and that of the twelve representative industrial stocks of the Wall Street Journal averages was 92.83. From these figures there was a decline of 2.44 in the railroads and of 2.97 in the industrials, followed by a rally which has carried the averages to within a point or less of where they were a month ago.

When the market is waiting for a new impulse, as this one seems to have been doing, the movements of the day become important. It will be remembered that after reaching the high point of last August, the market went forward, with a decline culminating in February more considerable than any reaction during the long advance which followed the crisis of October. Following this relative drop in the market, there was the usual rally of about 50% of the decline. This was followed by what may fairly be called the secondary decline (which is practically constant feature of such market swings) and then business became extremely dull with no deciding movement anywhere.

We may use once more the well worked slogan of the pendulum because it fits this method of studying market movements as nothing else does. Each recurring swing, as the figures quoted show, took in a smaller segment of the arc until the pendulum reached equilibrium. Obviously the market waited for a new impulse.

What follows also is that such a market becomes thoroughly sold out. As the traders say, it has not "bullied easily," and consequently the professionals sell it short, feeling safe in the absence of any aggressive bull leadership. In the same way, inactivity tires out the bulls. No broker likes "sleeping accounts," and finally the market gets in such a position that a very little impetus will start it one way or the other. The sharp rally from last Monday, when it was known that the Standard Oil and American Tobacco decisions would, at least, not be hanging over the market for an indefinite time to come, seems to indicate that prices are now out of their rut, and for the moment at least are working in the upward direction.

There is nothing to show that the bull market is in a position to have set somewhere about last September, has culminated; but on technical considerations, an upward swing is indicated of the pendulum which I, in the Wall Street Journal's averages was 92.83. From these figures there was a decline of 2.44 in the railroads and of 2.97 in the industrials, followed by a rally which has carried the averages to within a point or less of where they were a month ago.

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The WALL STREET JOURNAL: June 16, 1910

THE PRICE MOVEMENT

Less than a month ago, in discussing the price movements in these columns, it was found that, while technical conditions were not particularly encouraging, the market seemed in the rumor to rally a little further, and that, in view of the uncertainties of the autumn, a bull campaign might have chances of success, if taken in hand at all, might be expected early. There was some further advance

after those lines were written and on May 21 the average price of both the industrials and the railroad stocks touched the best figures since March 8.

The new level of prices was barely maintained, but no real pressure developed until May 25, when there were signs of weakness in both the market groups. In spite of a rally on the following day, these indications had developed into vigorous liquidation, ostensibly arising out of the attitude of the Administration toward the railroads, which culminated in a severe break, and the railroads selling at 82.05, and the railroads at 114.09, new low points for the year and respectively 7.61 and 8.73 below the previous high of May 21.

On the treaty of peace between the administration and the railroads a moderate rally developed, amounting to 35% of the break in the railroads, and 37% in the industrials. One inference which might be reasonably drawn from this fluctuation is that if the decline had been due solely to the action of the Attorney General against the western roads, the recovery ought to have been faster and carried further. For the present we are studying technical market conditions, as disclosed by the average movement of prices which experience has taught us is governed by the definite laws of the market.

Students of the price movement will notice that the rally ought to run further, and a development of dullness after about 20% of the time of the decline but when it has been recovered would be in keeping with the normal action of a market which has broken on the unexpected. Whether there is sufficient driving power to carry prices higher, remains extremely doubtful, in a market restricted to a few large financial interests and the active professional element, to the almost total exclusion of the speculative public.

Cautious traders would take a conservatively bullish view, and would not risk with a new bull influence the market if prices recovered more than 50% of the decline from May 21 to June 6.
THE WALL STREET JOURNAL: July 19, 1910

THE PRICE MOVEMENT

When the price movement was last discussed in these columns on June 16, the market was in the middle of a rally, following the beginning of the month when the Administration made its sudden attack upon the western roads. The rally had then extended to about 20% of the sudden and severe decline on the unexpected news. It was shown that by past experience the recovery should run further or to at least half of such break. This is exactly what happened. The recovery continued to June 22, when the market again developed weakness.

What happened technically was that the shorts had covered, and the stock bought to protect the market had come out in sufficient quantity to exhaust its absorbing capacity. Any trader operating on technical conditions must have sold short on June 22 and 23 with absolute conviction that there was a further sharp decline, brief in duration, but serious in extent, establishing new low records for the year, both in the industrials and in stocks. These, on July 5, or in nine trading days had lost 6.05 points and 8.77 points respectively.

Students of the averages know that as soon as the low point of the June break had been crossed on the new reaction, the indications were distinctly bearish. They were in the region of 2 points in the industrials and nearly 4 in the railroad stocks before prices began to make something of a line at the low level. If recovery has not carried the market above the low figures of June, and in spite of the recovery it may, therefore, be said that the market has not yet taken back its bear point.

It is always promised in these studies that only technical indications are taken, and the general conditions upon which the miscellaneous publications buy and sell stocks are not under discussion.

There is in Wall Street a small but very useful section of traders which is often found doing business. The methods, often unconsciously, are strictly technical, hearing very little reference to conjectures based upon crop prospects or politics. This class, on the indications of the averages today, would probably be trading for a further rally, but in the Prices have not run quickly. Any check in the recovery, or indication that the market is no rallies, "bulled hard" would mean a switch to the short side. It can at least be said that there is no indication whatever that the broad bear market has culminated, but a very small further recovery might initiate one of those secondary bull swings of a month or so, which are a feature of any broad decline.

The Wall Street Journal: July 29, 1910

RALLIES IN THE STOCK MARKET

After the last and most serious break on Tuesday, the stock market has rallied, and on previous experience the recovery should carry further. We have been experiencing a broad downward movement virtually since last October, even if the real decline began earlier, at least we have had, in fact, a bear market extending over some eight months without any very aggressive rally, and a recovery that is particularly after the drive of last Tuesday.

It has often been pointed out in these columns that the rally in a bear market is apt to be sharp and relatively short. Stocks seem to recover faster than they went down and not infrequently from 30 to 40 per cent of a decline extending over many weeks is recovered in as many weeks. This is the secondary movement of the market. The first is, of course, the main movement usually running upwards some two or three months, or the bear movement not often much exceeding twelve months. In a broad advance, we are liable to sudden and rapid reactions, and in a broad decline to parallel recoveries. These often last for thirty days, constituting the secondary movement as distinguished from the daily fluctuations. Generally, it may be said that the shorter the movement, the more difficult it is to forecast.

One indication which is sometimes useful to the trader is the ticker tells all the story if we are only shrewd enough to interpret it, is the recovery from the last severe break of a long decline. We have the recent decline in the market culminated in a downward movement over ten trading days, with a net loss on the average of 8.06 points in the railroads, 7.78 points in the industrials. On its normal movement in such a rally as seems now to have set in about 40% of the last break should be rapidly recovered, and of 7.78 in the industrial stocks. Should the market become dull after such a rally most professionals would sell stocks, on the theory that enough buying power had not been generated to warrant the assumption of a real thirty-day bull swing.

If, on the other hand, stocks continue strong with more aggressive improvement after such a recovery, the professional, tape reader would follow the market up. He would not assume at once that the great bear movement had concluded. The technical indications do not yet point that way, nor would they even if the market indulged in one of those August rises which have, it must be confessed, been very consistent in recent years.

It is probable that the professional trader may in the most important respect, to the present rally if the market had remained dull and inactive near the low level, with an appreciable time before recovering additions which make for a big upward or a big downward movement of the primary class practically never change themselves overnight, hence encouraging the first recovery may seem.

The Wall Street Journal: August 12, 1910

In writing of the price movement, as shown by the average price of the active railroad stocks and industrials, from day to day and over a period of years, it was said in this paper on July 19 that there was no indication whatever that the broad bear market had culminated. The influence was so accurately justified that the average price of twenty railroads, which was then 112.64, sold down to 105.59, the low point of the year, within seven trading days; while there was a corresponding 8 point further decline in the industrial stocks.

This decline over a short period followed by a long bear movement was too violent not to encourage a sharp recovery. This recovery set in on July 27, and by August 17 the railroad stocks had regained 9.86 points, and the industrials 7.79 points. This movement extended over three weeks and may fairly be taken as representing the short, or secondary, bull swing in a bear market. It will be noticed that the usual characteristics of such a swing were in evidence. It was short and sharp, comparing in that respect to the occasional breaks so often observed in a prolonged upward movement.

When everybody decided that the market was in line to fulfill all predictions founded on desire, the upward movement was arrested, and since August 17, or in nine trading days, there has been a definite reaction. This indicates at least that the secondary movement of the market, the short bull swing in a bear market, has culminated.

To offer any hopes of a genuine change in the broad current, it would be necessary for the average prices to advance above the high figure recorded on August 17. There is certain encouragement about the daily fluctuations, occasionally, but there is no present indication of any such recovery.

It should be repeated, as it is our custom to do in these studies, that they take into account only the technical position of the market, and do not consider the outside influences. It has been the experience of twenty-five years of market averages used in these studies, that the outside influences are recorded in the price movement before they have become the subject of popular discussion; and that the only exceptions are events beyond human foresight, such as the San Francisco disaster. Even in the interruption caused by such a calamity, it will be found that the subsequent rapid recovery tends to restore the broad market condition on which these discussions are based.

As the averages stand at present, it would appear that we have had a typical recovery and have resumed the general condition. The influence would be that the broad decline has not culminated, although in the process of time it must obviously be approaching its completion. The fact that the present price moves do not as a rule enjoy more than a year's duration.
THE PRICE MOVEMENT

When the average price of stocks shows merely nominal fluctuations, it is still possible to draw inferences on which to base some conclusions from the condition. In such a case "they also serve who only stand and wait." The fluctuation in the average price of twelve industrial stocks since, including, August 22 is no more than 1.88 points, and that of twenty active railroads only 2.31 points. The market obviously has ached down to wait for a new impulse following the short-lived rally which culminated on August 17.

In deceptively parallel instances it has been found that a market after a severe break, followed successively by a rally of 40% or better, a slower subsequent reaction, and minor fluctuations either way, acts like a pendulum running down until it reaches equilibrium. This is not unusually a condition following a panic break in the market. It is because of the deceptive parallel of this panic break that the difference is worth demonstrating.

In the crisis of 1907 we never had a real railroad panic market. Stocks were made very weak both in March and October of that year, but they never got quite out of hand, which is the essence of a panic. People who trade on these technical evidences were misled for this reason and bought stocks after the crisis of October, 1907, only to be squeezed out at a later level in November, reached before the bear market turned.

In the present bear market the average prices rallied rapidly up to Aug. 17, but having exhausted the secondary or upward swing, the strength evaporated, both in respect of market movement and the volume of trading, and we have been hopelessly in the doldrums ever since. There is no serviceable parallel here to the bear market of 1907. Sooner or later the market must break out of the narrow rut which at present constrains it. What would be the technical value of such a change, upward or downward?

If the market advanced to the above figures of the rally which culminated Aug. 17, 118.47 and 81.41 for the railroads and industrials respectively, the sign would be moderately bullish. It would not indicate, of itself, a broad general change in the current until further price movement in the same direction emphasized the change. If, on the other hand, the market broke out of its rut of the down side, crossing 105.69 and 70.69, the low prices of the year recorded July 26, the effect would be extremely bearish. It would indicate a further violent fall which might even carry the averages down to figures not very far from those of the latter part of 1907.

We are plainly not out of the bear market yet, and such a market not infrequently culminates with a last violent decline. That we are approaching the end of the bullish movement seems indicated by technical conditions, even if we assume that the main downward market movement was not really established until December, 1909.

The Wall Street Journal: October 18, 1910

THE PRICE MOVEMENT

In discussing the stock market on the indications given by the average price of twelve industrial and twenty active railroads a month ago, it was said that an advance above 81.41 and 115.47 respectively, the high points of August, would be most bullish. That at that time the market was in a rut, where for a month or more the extreme fluctuation was only up about two points or so. On October 8 and 4 the averages closely approached the previous high of the year, and on October 10 both groups were selling well above the August figures.

The forecast might have been made with a good deal of confidence in view of the record of the averages in the past. Prices advanced with reëstablished assurance, making further gains of from two to four points. There is a dangerous temptation about a market which has accurately fulfilled predictions. It was relatively easy to say that strength would be developed in whatever direction the market or the averages of a month ago. There is no such guide for what prices may do after the advance has been established. Fortunately, it is no part of the business of this newspaper to encourage day to day speculation on philosophical deductions drawn from comparisons of history.

Unfortunately we have developed at least a strong secondary bull swing in a bear market. That the main current has changed and that the broad tendency of the market for a long period of time is likely to be upward, the averages certainly do not show. The rally from the low of July has been twelve points in the railroad stocks, after an extreme decline of some thirty points by that date. A further advance extending over a longer period of time than has been covered by the present rally would be necessary to establish a reasonable presumption that the major movement of the market was upwards. On the other hand, the market would have to show a substantial decline to re-establish the general downward tendency which has been comparatively easy to forecast in the past year.

It looks as if it would be necessary for the price of the active railroad stocks to recede to 112, and that of the industrials to 75, to establish the secondary character of the present bull swing. To give a really alarming bear point the reaction would, according to precedent, require to be more considerable than this. Anything which carried the average prices below the figures of July would indicate a further break, in which the well-balanced market might be expected to reach the low figures of 1909, if not those of 1907.

One strong feature of the advance is that the volume of trading has increased with each successive daily gain in price. Such a movement is apt to culminate in one or two days of noticeably heavy trading, and the essence of the analysis of averages is that they are taken as reflecting these and all other factors.

The Wall Street Journal: November 29, 1910

THE PRICE MOVEMENT

Soon after our discussion on October 18th, or the condition of the stock market, judging from both the price movement alone, both the railways and the industrial stocks established high points for the year, subsequently receding to the extent of establishing a new low, and becoming conspicuously dull on the recession. In these discussions the idea is to accept the average as the sum of all the influences either way, and to discuss the price movement in the light of the previous experience as shown by the figures over a long period of years.

Before the high point was reached the stock market had been through a narrow line of quotations within a narrow range, establishing a bull argument which was justified by the continuance of what was at least a bull swing of most respectable proportions in a long bear market. Since that time there has been a reaction, with the establishment of another "inch" of trading through a narrow range, about on the level of the place from which the final spurt of the bull swing started. One thing which will strike the experienced observer is the essential difference between these two lines.

A period of accumulation seemed to be indicated in the remarkable steadiness in the market before the final advance which culminated October 20th. Since that culmination the market has only advanced and has crossed it. That high point was 118.43 in the railroad stocks. On Nov. 11, 115.09 was reached, and the market has stood all within the same narrow range. This line on the recession of the average bears considerable evidence of wide and steady distribution of the stocks.

We are aware that there are others who take arguments in favor of simultaneously considering the volume of business with the average price movement, but there are practical objections to that method. To give such a comparison any value, it would be necessary to establish the volume of business day by day over a quarter of a century, when we should probably find that the averages themselves had made allowance sooner or later for this influence, as well as for all others. In the same way there are effects traceable to special causes at present operating.

Following our custom by month by month, we prefer to neglect these factors.

Judged by past experience of the market a decline of the active railroads below 115.09, the reaction point established November 10th, and of the industrials below the 85.50 of the same date, would furnish, and would be a further recession would point to more definite indications that the main bear
movement, operative for a year past, was still in active effect.

The Wall Street Journal: January 8, 1111

THE PRICE MOVEMENT

There has been such inducement to discuss the price movement, as shown in the fluctuations of the average price of industrials and railroad stocks, since our last editorial on the subject on Nov. 29. At that time we said that the averages, and particularly the railroad average, were making what looked like a line of distribution, and that a break below 115.09, the reaction point of Nov. 10, would be bearish, although not necessarily indicating specifically a return to the main bear movement of 1910.

The inference was fully justified by the action of the market when it broke through the level of Nov. 10; an average decline of four points in the industrials and of nearly five points in the railroads followed, culminating on Dec. 6. There was a subsequent rally, which has seemed to carry the railroad stocks above 115 and the industrials above 82. The break below the November level was not sufficient to carry us back into the prices of the same bear market, while the most that can be said of the rally in the past month is that it would have to carry the railroads above the October minimum of 110 to justify any positively bullish inference.

We prefer to neglect volume and the character of the trading in these studies, believing that a quantitative analysis of the price movements would be absolutely impartial, makes allowances for these factors as well as for the chapter of accidents, the conditions of trade, the tone of the money market, and the temper of the speculating public and even the character of the investment demand. There is nothing in the averages to dogmatize about. They are an immensely valuable guide when studied over long periods in the past. They frequently give useful indications of the character of the market's short swing. For day-to-day trading they are not only valueless but would probably be dangerous as well.

The fact that the stock market on the averages from day to day, ranking his occupation no higher than that of the punter at Monte Carlo, would be

no better than the gambler with a system, whether he based his conclusions on the averages or not, and would meet a like fate sooner or later.

Drawing broad but legitimate inferences, it may be fairly inferred from the present level that an advance in the railroad stocks above 118.43 would be decisively bullish; while a definite bear inference might be drawn from a decline below 111.83, especially if these movements were accompanied by corresponding fluctuations in the average price of the industrial stocks. Which of these movements is the more probable is a matter of opinion. The averages do not say.

The Wall Street Journal: February 1, 1111

THE PRICE MOVEMENT

In a discussion of the market indications given by the movement of the average price of stocks, it was shown that an advance above the last high price of Oct. 18, 1910, would give a more decidedly bullish indication than any fluctuation since the bear movement of last year set in. The latest movement, although the industrials are still faintly above the last high point, is of considerable importance. Since the rally which culminated last October the market has fluctuated in such a manner as to leave the averages of very little worth to the student of market movements, to say nothing of the speculative investor who bases broad conclusions upon them. Scrutiny of the price movement, however, discloses that each recent reaction terminated at a figure above the point previously touched, while the recoveries tended to establish new high levels. This has proved a decidedly bullish intimation on former occasions when uncertainty existed following one of the larger swings of the market.

The Wall Street Journal: February 6, 1111

Last week saw an almost continuous advance in the stock market, slightly checked on the 19th. The average price of the active railroad stocks crossed the high point of last October on Tuesday, to the gratification of students of price movements, and those who base their opinions in part upon statistical analysis. There seems to have been a large distribution of stock on the advance, but such stock has been well absorbed, as the technical market movement shows. The market became dull on small reactions, showing increasing activity, as the technical market movement shows. As any professional knows, this is a good indication that the strength is still on the buying side. Realizing that the purchasers had left the field, the market sufficiently full of stocks to Justify a moderate recession; but it must be admitted that the bears are changing their minds too soon, and want to get them back, or those who distrusted the rise from the main movement since the beginning of the year in the railroad issues. With so much railroad financing in sight, this is not at all surprising, especially as new financing seems to be received with more public favor than it was at any time last year.

The present movement may fairly be said to date back to the December low figures, some five points under the present level in the industrials, and seven points in the railroads. It is still entirely possible that the movement is a vigorous secondary bull swing, in a bear market broader than we have been accustomed to since 1896. This secondary movement, however, has unquestionably gained considerable strength. It is easy to say that the public is not in the market, but the advance shows in the aggregate a large volume of sound distribution, and estimates of the general volume of business in Wall Street are constantly based on what the informant is doing himself. With any resumption of runaway bull market, or a return to "boom" times, it may still be said that, on analysis of the averages, the market looks like going higher.

The Wall Street Journal: March 6, 1111

THE PRICE MOVEMENT

Since we last discussed the movement of the stock market, as shown by the fluctuations in the average price of stocks, a bull point so clear that we were obliged to draw a distinctly bullish inference from it has justified itself. Since that further advance, however, a change of considerable moment has taken place. The most interesting feature is the long line made from Feb. 1, where in twelve trading days the average price of twenty active railroad stocks fell $1.15, or 5.79 per cent.

After a downward fluctuation of about a point there was a return to this level, which was successfully held for four days more. The first serious break came in the railroad rates decision, and since that time it has been apparent
that there was stock pressing for sale. It is plain that there must have been a large distribution in the early part of February, and the market for a time looked as if it would settle on such stock and yet be in a position to resume its advance. This is the view we should have taken a month ago; but the developments of the past two or three weeks closely resemble a definite interruption of a secondary upward swing that it is necessary to point out the more conservative indication of the averages.

Previous experience teaches us that after a line at the top of the movement has been broken through on the downward side, as in the case both of the industrials and the railroads, it would be necessary for the last high point to be reached again before we could assume anything like a bullish indication in the averages. It would be necessary for the price of the industrials to advance well above 86, and that of the railroads to 120 to indicate that the recent fairly extended bull swing had been resumed.

On the other hand, a downward fluctuation as considerable in extent would be necessary before the averages really began to talk bearish. We may take it that the secondary bull movement dates from the low point of Dec. 6, 1910, when the industrial price was 120.28, and that of the railroads 111.33. A decline below these figures would represent a fluctuation of over four points in the railroad stocks and three industrials from the present level. Crossing the last low would be definitely bearish.

It will be seen, therefore, that there is something much too dogmatic about the matter as it looks if the secondary bull swings were over; or, at any rate, as serious doubt had been cast on the possible existence of a broad bull market, of which the upward movement from Dec. 6, 1910, and the high point of the nary spurt.

The Wall Street Journal: April 5, 1911

The Wall Street Journal: March 27, 1911

When the price movement of the stock market, as shown by the fluctuations in the averages of twenty railroad stocks and twelve industrials, was discussed in The Wall Street Journal last month, the price was then hanging in each instance midway between the low point of Dec. 6 and the present level. On Feb. 1, the only record of the price, was 79.62, and it was argued that an advance above the last high point would be decidedly bullish, while a decline below last December’s figure would go a long way towards indicating a return to the bear market of last year.

Since the last study was made the movements of prices have been interesting, if not conclusive. Neither of the conditions postulated has come about. The industrials did not approach the low of 79.62, although they came within 2.02 points of the high of 86.02. In like manner the railroad stocks showed no tendency whatever in the past month to a downward movement of any sort, much less one which would carry them below 111.38. They have approached as close as the high of 119.97 as 118.73; but since that figure, recorded a week ago, has backed and filled with some net recession on the way.

This is certainly conclusive, although it will be noticed that the prices in each case have been almost uniformly above those obtaining at the time of our last analysis. The averages have looked as if they wanted to go up, although some students might argue that the small volume of business detracted from the importance of such changes as there were. Nevertheless the tendency has been distinctly bullish. So far as volume is concerned we prefer to neglect it in these studies, arguing that this, as well as all other considerations, may be eliminated in the comparison of extended price movements over any considerable period of time. Such volume of trading, like even the chapter of accidents itself, tends in such periods to average itself. Dullness and activity have alternated in stock markets throughout their existence.

Something new and bullish indication, but the inference drawn in our last study still seems to obtain. An advance from the present level of the railroad stocks, to 110, a little more than 2 points, would be a strongly bullish indication for the market of the spring and early summer; and a corresponding movement in industrials to anywhere over 86, or less than three points, would tend to confirm the indication given by the railroad average.

Stocks lost ground last week, showing their solitary rally on Wednesday and failing altogether to develop the spurt noted afterward. A holiday. There was a sharply relative break on Tuesday, with a little more activity than has been shown for some time past. Perhaps the strongest feature of the market was that it tended to become more active on declines. Superficially, there is no speculative bull account, but stocks are being carried on margins in each case and have to be kept good, pressure beyond a certain point dislodges long stock, even when its existence is not apparent from the previous transactions on the floor. The average price of the active railroad stocks is now about midway between the high of last February and the low of last December, while the industrials are nearer the low figure.

The purely technical indications would be bearish on a break below 111.38 in the one case and 79.68 in the other, which would make a number of professionals aggressive and would probably bring realizing sales as well. The market, however, is not out of its rut, and chances either way are still evenly divided.

The Wall Street Journal: April 24, 1911

For the third month in succession the average prices of the industrial and railroad stocks have not crossed the low of December 6 of the previous month, the latter of the low of last February on the other. When we discussed the price movements a month ago the market was in something of a bearish condition, which seemed to be inclined to emerge on the downward side. For a few days at least the aggressive traders found activity on declines with dullness on rallies, and consequently took the short side of the market.

Last week a material change in the character of the trading took place, although it cannot be claimed that the volume of business was much more impressive than it had been. Prices rallied with considerable confidence, and at the close on Wednesday the average price of twenty active railroad stocks was within 0.14 of the last high figure; while the industrials were slightly over this point from their best of the year, recorded on Feb. 4.

For purposes of scientific study the average prices in these and the others are taken as representing the sum of all the varying influences on the market, even including the volume of business. It is of secondary consequence, therefore, that news has had little or no market influence. If trading was dull a month ago because tariff uncertainty prevailed and the Supreme Court’s decisions were still held back, the same influences are
felt to-day. We are inclined to think that such a development, if history shows that when certainty on such matters is reached the market deceives the most experienced judges of the value of new issues.

There are certain well-worn rules, perhaps more honored in the breach than the observance, for market movements throughout the year. A normal market is the kind that never really happens. Otherwise we might say that on an average over a period of years the tendency in March and April is to advance, and in May and June to decline. This is consonant with the volume of general business, but would be followed too closely to give much barometrical value to the price movement.

It is with these facts considered that, on previous experiences of the averages, an advance above 120 for the railroad stocks, and 86 for the industrials, or 1 to 2 points from the present level, may be a decided bullish indication; and would, indeed, indicate a tendency which might be prolonged well into the summer.

The Wall Street Journal: June 1, 1911

THE PRICE MOVEMENT

In a discussion of the price movement published in these columns on May 4 it was pointed out that the average prices of the railroads and the twelve industrials, taken for purposes of comparison over many years, were closely approaching the high point recorded early in pronounced and decided bullish; and would, indeed, indicate a tendency which might be prolonged well into the summer.

The Wall Street Journal: July 14, 1911

THE PRICE MOVEMENT

Since we last discussed the price movement as shown by the averages on June 1, a condition of supervision which, however, must not be construed into a meaningless fluctuation within narrow limits. In studies of the price movements of the past year or so, we find that the averages have tended to move together, and that the ten week period ending May 22, 1911, almost exactly a year ago, is the point at which the market has hesitated and industrials have even occasionally relapsed below the February high point.

Allowing for this, however, and the dulness of occasional reaction of the market, it may still be said that the averages have made a new high figure for the year, and have not taken that point back. Leaving everything but the purely technical aspect of the market out of the question, taking, as we always do in these studies, the averages as reflecting over a period of years all considerations, including even the volume of business, it may even be said that the indication at present is emphatically bullish.

It is not a bull, as some traders hold, but the indication, if the above considerations are right, would probably take the long side of the market, with a stop-loss order a point or two below the present level.

The Wall Street Journal: August 10, 1911

THE PRICE MOVEMENT

A somewhat belated study of the price movement as shown by the average industrial and railroad stock prices appears to show that the market has decided to extend its trend downward. This is true, but the point at which the decline started was not the same as the point at which the bull trend started, and the recovery of the market was not the same as the recovery of the averages. The recovery of the averages is a condition of the market that could be inferred then that was the point at which the recovery of the bull market began. Since that time the market has had two or three rallies, the last of which was at the inception of a new bull market. That conception, however, is a possibility on the showing of the averages, and it need
THE DOW THEORY

hardly be said that nothing is taken here but the bare comparison of price movements with those of times past, without reference to the general condition of business in Wall Street and out of it.

Whether the indications at present are positively bearish is a matter of individual opinion, but the movement no longer points upwards.

The Wall Street Journal: September 9, 1911

THE PRICE MOVEMENT

A month ago, in discussing the technical condition of the stock market as shown by the prices of the industrial and railroad stocks in The Wall Street Journal averages, it was pointed out that, while opinions might differ as to the positive bearishness of the indications, the averages had at least taken back all the bull points offered early in the summer. At the time that analysis was written the 20 active railroad stocks were upward of 4 points above the figure at the end of August and the 12 industrials 3 points.

From the low point of 112.60, made by the railroads on August 30, there was a recovery to 114 by the end of the fourth week, followed by a period of moderate advance, followed by a single day's reaction, which wiped out nearly all the improvement. The rally in the industrials was irregular and less perceptible. Trading on the recovery showed a tendency to stagnate, and the market only became active on declining. The appearance of the professional, a fairly good indication of a continued bear movement.

It will be remembered that after fluctuating narrowly for several weeks within less than a 3 point range about 120, the railroads broke out of the rut in the downward direction, while virtually the same movement occurred in the other group, showing a fairly broad market tendency, as each average tended to confirm the other. Many followers of the averages would have considered the market quite good enough to warrant selling short on the first break, and it need hardly be said that the price movement would have fully justified the belief.

On the technical showing, taking the averages in our usual manner as discounting in themselves crops, general

business conditions, volume of trading and all the other factors, it may be said that the indications are bearish, to an increasing more so with the average price of the railroads now below 112.60, recorded on Aug. 30, and that of the industrials nearing 78.63, which was the low of the decline on Aug. 29. To make anything like a bull point most students would consider it necessary that the averages should first make a "line," and after a period of what might reasonably be taken as accumulation within a narrow range should advance sharply to the levels of last July.

There has been no time so far to make such a "line," and it must be confessed that, on the average showing at any rate, the market looks anything but a good purchase.

The Wall Street Journal: October 9, 1911

A glance at the average price of the railroad and industrial stocks show a narrow fluctuation throughout the month without considerable changes. Movements of a point or more in half a dozen active stocks marked the trading from day to day. But the move was not quite so hackly, and the rally broadly affected, becoming dull on small rallies and equally dull on declines. The theory of what may be called the semi-professional element of Wall Street, with whom for the most part the wishes and opinions of the market are entertained, is that this represents a steady condition where all liquidation has been absorbed. There might be something in this were it not that the leading stocks have had a considerable rally, and on a number of announcements expected to advance they have altogether failed to respond.

It is true the technical analysis of the averages does not show much, but even there industrial stocks have rallied four points from the lowest and railroad stocks two, after each had shown a decline of eleven points. On theory, the rally should have been proportionately at least in the railroad stocks. But the so-called "line," that prices are making at this level may indicate that stocks, as far as manipulation is concerned, have not yet reached the saturation point within a few days, and precipitation should follow. If there is really any powerful accumulation, it should show in the near future in a scarcity of stocks not at present indicated.

The Wall Street Journal: November 3, 1911

THE PRICE MOVEMENT

From and including October 10, the average price of twenty active railroad stocks fluctuated from day to day with a range of almost exactly two points or the difference between 112.08 and 114.13. From Sept. 30 to Oct. 26 the twelve industrial stocks, taken for the purpose of an average price, did not sell below 76.15 or above 78.11. It is important to note that on Oct. 27 the average broke through this remarkably close line of the industrials.

On the usual theory of the averages any movement above or below such a line as this would be strongly indicative of the market's course for some time to come. The industrials gave a bear point when they broke through on the downward side. But the lead was by no means as good as it looked, as there was no simultaneous change in the railroad stocks. The industrial decline, moreover, was recovered in four trading days, bringing the average price of the twelve industrial stocks to within a point of the high figure of the rally.

With the recovery, the twenty active railroad stocks made a new high point for the rally which had followed the decline beginning at the end of the month. The rate, however, was not at any rate, a new high point on the rally by the industrials, confirming the movement already made by the railroad stocks would look definitely bullish. During a period of fluctuation within narrow limits such as we have seen in the recent past, one of two inferences may fairly be made provided the market is not absolutely stagnant. Either stocks are being held, so far as manipulation will allow, to facilitate accumulation, or the market is extremely supported in order to make a market for distribution.

If the latter had been the case the Street would have been overloaded with stocks, and a bull point, with all its inevitable precipitation, would have been reached sooner or later. When United States Steel Common broke six points in one day it would, had the market been carrying too much stock, have precipitated a sympathetic decline in the railroad group. This decline did not last long; and, as soon as the market had recovered from an influence which unexpectedly proved to be of a most temporary character, the railroads took the lead on the upward side.

So far as the greater movement of the market is concerned, that which lasts for a year or more, nothing of a really satisfactory character can be deduced from the averages. Fairly balanced, it looks as if a bear market set in at the end of July, already interrupted once by a fair rally, and now not unlikely to be interrupted again by another temporary secondary swing in the upward direction. Ignoring outside influences, like the averages for futures, the operator on technical conditions only would probably now be trading with an eye to higher prices.

The Wall Street Journal: December 6, 1911

THE PRICE MOVEMENT

A month ago the average price of both the industrials and the railroad stocks gave a bull point, and as of the average of the industrials on November 5 it was said in this place that the trader on technical conditions only would be operating with large profits, and that with the average of the industrials 3.79 points.

This was the high point of the present rally, and since that time the railroad stocks have reacted, and for the past nine days have been making another line, with a restricted range of about 2 points but with no marked tendency to seek new high levels, on the one hand, or to return to the bear market which culminated at the end of September on the other.

Students of the averages would say the bull point indicated when last the topic was discussed had not been taken back, in spite of a moderate recession. For the present level, in fact, an advance of less than three points in the railroad stocks and less than two in the industrials, carrying the average prices
above the level of November 23, would renew and emphasize the last bullish point. To look bearish, for a short turn at any rate, prices would have to indicate any bear movement, or that the rally which may be said to have set in at the end of September, is exhausted. The market, in fact, is backing and filling, looking rather full of stock at times, and there has been a heavy distribution on any attempt to cover. Whatever the public may do in the new year, it is certain that there is no broad interest in the market at present. It would be difficult to name a stock which would be sold in quantity at the moment without breaking not only its own price but that of other active issues. So far as forecasting the future of general business is concerned, all the market is saying is that there is dullness ahead for as far as it can see.

The Wall Street Journal: January 17, 1912
THE PRICE MOVEMENT
In writing of the price movement of stocks six weeks ago, it was said in this place that indications were less bullish and that, while the averages of the twenty active railroad stocks had for some time been acting in a manner that suggested a possible change for the better, there was no indication that a recovery was likely. The markets have since moved up from a low of 82.48 on December 6 to a high of 86.51 on January 8, and the industrial price index has advanced from 115 to 122.5 during the same period.

This is a striking continuation of what may be called a "line" of accumulation or distribution, established more than a week before our previous price movement discussion was printed. Such a narrow fluctuation in prices, after an experienced student of the averages, may be significant. It is significant in either direction. If the long pause in the price movement has been made in order to accumulate stock without advancing prices, the result ought to show soon when the price in both averages crosses the limit of the line in the upward direction. Let it be observed that the "floor" is here being in the market sense, and does not mean strictly "length without breadth." It means length with very little breadth—less than three points in the railroad stocks and a little more than that in the industrials.

This would mean that if stocks which are an important part of the general movement would look distinctly bullish. The converse is true, if we may assume the possible bearish point. If the industrials sold at 79 and the railroad stocks at 115, traders who base their general positions on the barometer of the averages would go short of the market, protecting themselves, as usual, against the day-to-day fluctuations which constitute in practice the most confusing element in charting the currents of the broad market movement.

If this condition of stability, which has existed for some seven weeks, does not represent accumulation for a possible "take-off," and other explanation would seem to be a careful and well-managed distribution of stock. The inference would be that there was a lack of confidence on the part of people who could afford to take their time in selling it. The large holders of stocks by no means act together in the way the market is supposed, but there are psychological influences which are apt to affect them simultaneously. The market shows it in time, because, however carefully it is supported, there must come a moment when it reaches saturation point; and all the banking powers in Wall Street, or the world over, for that matter, could not prevent precipitation.

In the last discussion of the averages it was necessary to modify bullish inferences previously, and justly, drawn. At the moment it may be said that, on the averages, the market looks like a rising market in the industrials and less than a point in the railroad stocks would look definitely bearish.

The Wall Street Journal: January 29, 1912
Stocks last week fluctuated on the average within a range of less than three-quarters of a point, losing a little ground but falling to establish anything different from a long continued rut which has obtained for something like three months. Fluctuations either way of less than 4 points in the price movement of the averages in both the industrials and the railroad stocks have ruled the market since November. There have, of course, been individual instances of changes more considerable, as for instance, the advance of the new American Tobacco common stock last week. But one swallow does not make a summer, and even a single active specialty does not make an active market. It is not improbable that this fact has dawned upon the speculators who have been active in Lehigh Valley. Instead of increasing public interest, such manipulation is now generally not to get the result that in that and other coal stocks has been to drive the public out of the market altogether. The opportunities for the small trader in such conditions are certainly not enticing, and it can hardly surprise anybody, that he declines a contest with better players than himself, where he thinks he is not getting a fair deal. The quality of the market in this respect has greatly deteriorated, and there seems to be small chance of improvement until it breaks out of its present rut.

The Wall Street Journal: February 1, 1912
OUT OF THE GROOVE
Inferences may be drawn from an inactive market often more weighty than is generally supposed. In an active market the general impression may be misdirected, but in a dull and inactive market the general impression is apt to be correct. In the case of the stocks this week, the general impression was that the stock market had made a astonishing exhibition of conditions, when analyzed from the point of view of the
THE DOW THEORY

averages. The average price of twenty active railroads, for instance, has not been above 118 since November 28; and between the limits of 115 and 116 the low limit for the trading days of more than two months.

So far as the industrials are concerned, there has been an identically similar price movement there. The last three months of the year 1911 have seen a low of 115. This is a strikingly uniform movement, and should be full of meaning; in the industrials we have the remarkable coincidence of the average price of twelve stocks remaining unchanged for three days in succession. There is no parallel to this in The Wall Street Journal's averages for a quarter of a century past.

To students of the price movement what is indicated in a market so steady as this is either the carefully organized accumulation of stocks for a future advance or an equally well-managed distribution or a departure from the market. The market in its present condition is nearly a balance between the two.

On the method of reading the averages which has best stood the test of experience, it may be said that the outlook for railroad stocks would look bearish at 115 or below; while the industrials would have to decline to 79 to give a similar indication. The former, at any rate, seems to be the only line of action, and both averages would require a much more substantial advance in order to give a moderately bullish indication.

The Wall Street Journal: March 7, 1912

THE PRICE MOVEMENT

Since November 9 the average price of the twelve industrial stocks has not been as low as 79, or touched 83; while the twenty active railroad stocks taken for comparison have, with one day's exception, not been below 115, or above 119, since November 28. This is not a four or five months' period of secondary action, but to the fact that a few individual issues have been occasionally active does not detract from the significance of the general condition.

One on occasion the railroads, but not the industrials, looked like getting out of the groove and sold below 115. Had the railroad action been consistent with a downward movement of the industrials, people who judge the market by the record of the averages, compared over a long period of years, would have known that the signal had been given for a broad general decline. The industrials, however, gave no confirmation to the movement. The railroad stocks almost instantly rallied, and since that date both averages have been well within the old range, giving little indication of future tendencies.

It will be observed that the average price of the industrials is closely approaching the limit of the groove on the upper side, and this indication was firmly established above 83, while the railroad stocks confirmed by moving above 119, unquestionably the advent of a period of more than a point in the day's trading, and two of these fluctuations represent advances. In spite of such gains, however, the railroad action is still lagging, and, for a long time around the same level two inferences are allowable and subsequent movements will confirm one or the other of them. It may be that prices are being sustained by a strong combination in order to distribute stock. Or it may be that the railroad market is being held in check to discourage weak holders and to facilitate the accumulation of a cheap line preparatory to a general advance.

It is always taken in the periodical discussions of the average price movement appearing in this place that the average discounts everything—volume, general conditions, dividends, interest rates, politics—and because it is an average it is the impartial summing up of every possible market influence. It has been pointed out that this, the averages for the moment do not tell us much. The railroad stocks gave a false bear point when they sold for the moment below 115; the industrials might equally give a deceptive bull point if they sold above 83 without a corresponding movement of the railroad issues.

It is a rather blind outlook, but the indications are certainly not disquieting, and fact more bullish than these were when the subject was discussed a month ago.

The Wall Street Journal: March 25, 1912

In the past week the stock market broadened remarkably and developed a strength which was consistently sustained throughout the trading. For many months past business seems to have been confined, speculatively at least, to three stocks, Union Pacific, Reading and U. S. Steel common. Last week, however, there were at least a score of issues showing transactions in sufficient volume to indicate a public interest in the market. In both the industrials and the railroad stocks, as shown by the averages, the net advance of the six months has been greater than in any similar period since the end of October. So far as the averages are concerned, the action of the market has been bullish by comparison with the recorded movements. The industrial stocks, since they emerged from the rut between 79 and 83, have advanced nearly five points, and in the case of the railroads the rise above 115 in a more modified degree indicates a similar advance, which would become still more marked at 119. This is the true expression of the fact that the averages represent everything and discount everything, which in the long run they may be honestly said to do, as any comparison between the state of general business and the average price of stocks over a period of years will clearly show. What seems to be indicated, in fact, is that the period of nearly four months, in which the market worked within a narrow groove, exhausted the floating supply of stocks. The market works along the line of least resistance, and obviously in such condition the easiest movement is upwards. There are no present signs of an important trend may be said with full comprehension of all the possibilities of labor, politics and crops.

The Wall Street Journal: April 1, 1912

APPENDIX

In spite of some irregularity in the daily fluctuations, the stock market last week saw a further advance in the railroad group, while the industrials maintained their ground in the face of heavy realizing sales. It is a commonplace of Wall Street that there is no news in a bull market; and it is true that the publication of the reasons for a rise in a stock quite frequently marks the termination of the movement. A better sentiment towards speculative securities, however, has become evident of late, but has made itself felt in London and on the Continental Bourses. After a period of nervousness and distrust the speculative investor is beginning to pick up his courage again. On the technical conditions as disclosed by the average prices of stocks, comparison with previous statistical records points to a further advance. It will be remembered that for something like four months the industrial average did not go below 79 or above 83, while the railroads remained in a similar rut between 115 on the one side and 119 on the other. On March 8 the industrials emerged on the one side and 119 on the other. On March 11 the railroad's rise above 115 was more pronounced, and the floating supply had been so reduced as to force an advance. The averages lagged behind, but on Friday crossed 119, thereby confirming the bull indication given by the industrials. Since the industrial average is a significant movement, the average price has gained over five points.

The Wall Street Journal: April 5, 1912

THE PRICE MOVEMENT

It was pointed out in a discussion of the average prices of the industrial stocks and railroad issues in these columns a month ago, when the twelve industrials were selling below 83 and the twenty railroads taken for comparison 60, above 119, that the market was in a groove, and that any movement out of the groove, upward or downward, should give a good indication of the price course for some time ahead. At that time the industrial stocks for some four months had not sold below 79 or above 83, while the railroads between
the date when the analysis was published (March 7) and November 20, of last year, had not been materially below 115 or above 118.

From these facts the inference was drawn that the market was working what the specialists call a "line," indicating either accumulation or well organized distribution. The result, sooner or later, must necessarily have shown itself, either in such a condition as that when the atmosphere becomes overcharged with moisture and precipitation follows; or where the floating supply of stocks has been unduly depleted, and prices must consequently advance, to meet the irreducible minimum of demand underlying the market in good times and bad.

Curiously enough, on the day that the last price movement analysis was published in these columns the industrial stocks crossed 83. This was decidedly bullish as regards that group, but only moderately so as concerns the railroads, because when that average for one day sold below 110 no resulting bear movement followed, and the figure itself was virtually accidental. The bull point on the industrials, however, proceeded to make good, and now has been an advance of more than six points on the average since its significance was pointed out in these columns.

In the criticism it was not until a fortnight afterward, on March 20, that the upward tendency of the industrials was confirmed by an advance above 118. The figure had been recorded since November 29, 1911, nearly four months previously. The inference drawn from such developments in the past is that both industrials and railroads have advanced steadily, with small reactions when the market for the moment became too full of stocks.

Whatever the general outlook of business may be, the stock market averages look bullish. They indicate a rising market so definitely that only the trailer on the floor would be justified in selling short, and then only for a quick market turn. It would, moreover, take not merely an important movement, but a considerable time for the averages to take back their bull point. If the railroads, for instance, merely went back to 115, one would not be justified in selling short, as this is nothing more than an ordinary reaction would be indicated.

It should be thoroughly understood that these discussions are not intended for the speculator who proposes to make a quick profit in transactions from day to day. It is assumed that the average eliminates minor fluctuations in specula-
tion; politics, money, crops—everything but the chapter of accidents, and ul-
imately that a rising market seems in-
dicated, while the averages would not give a bear point, unless a period of suspen-
sion should develop at the higher level, like that between November and the begin-
ing of March, followed by a sharp decline.

The Wall Street Journal: May 2, 1912

THE PRICE MOVEMENT

In a discussion of the price movement published in these columns on April 5 last it was said:

"A rising market seems indicated, while the averages would not give a bear point, unless the floating supply of stocks should develop at the higher level, like that between November and the beginning of March, followed by a sharp decline."

It is curious that the bulk of the twelve industrials taken for com-
parison in these discussions began to make just such a line on the day that criticism was written. From Thursday, April 4, to date the industrial stocks have, with only one day's exception, fluc-
tuated within a range of less than two points following a reach of 121, or to sell below 119, except at the close on April 21. The railroad stocks, also, between March 29 and April 24, with a single ex-
ception, did not sell below 119, or above 121.

Both averages in the course of this period of suspension gave a false lead. The break in the industrials below 89 on April 22 looked bearish; while the ad-
vance in the railroads above 121 on April 9 looked bullish. In each case the market withdrew its forecast and re-
turned to the old rut. In the case of the railroad stocks, however, there seems to have been a genuine bullish point on April 23, when the averages reached 121, and this was followed by the sort of rise which students of the averages have be-
come accustomed to expect after prices have hung flat for a precipitate period at about 89.

It seems fairly clear that the market has been tested by a month of distribution, and it remains to be seen whether the new hands into which stocks have gone are as strong as the old ones. On such a point the averages do not com-
mplete themselves. They discount alike ac-
tivity and dullness, good news and bad, crop forecasts and political possibilities, and in fact, the average.

It is which makes them so valuable for study, and makes it possible to get light on the future market movement not obtainable in any other way.

It is fair to assume that a genuine up-
ward movement of the market set in early in February, and last month ev-
dicted the first signs of a large volume of realizing. This by no means indicates the end of a bull movement, and it is quite conceivable that a secondary rise may be impending. The averages should give the signal for such a movement if the industrial stocks sold above 91. The railroad stocks have already given the same signal at 121; and an agreement between the two averages would indicate that the floating supply of stocks had been absorbed, and that the normal de-
mand was beginning to establish a higher range of prices without adventi-
tious aid.

On the present showing the averages look for a decline of more than two points in the railroad stocks, with a figure below 89 in the industrials, would be necessary to give a bearish indication of any real consequence.

The Wall Street Journal: June 3, 1912

Last week the tendency of stock prices was downward, culminating in a severe break on Friday. Apparently, the liqui-
dation of a stale bull market was in progress, and the operators who late-
ly occupied the leadership in the market left stocks to take care of them-
selves, with disastrous results for the trader on small margin.

Taken as a whole the speculation has exhibited little wisdom. One prominent operator was credited by the public with a degree of intelligence and power such as no stock market leader has ever shown before. It was inferred that, after the successful gamble in American Can, other stocks affected by the same operator would be advanced, with the result that the small trader hooked up with Rock Island Common at 30 and over, only to see it sell below 28 on Friday.

Looked at from the point of view of the averages, the market does not offer the same opportunity to profit by activity in minor specialties, each with its own strictly limited popularity. Operators for the rise reported an unsatis-
faction with "the upside," and on the showmanship side only a few traders on the floor could have made any money. The market, indeed, is marking time, and the averages cast about as intellligible a light upon it as any out-
side influence.

Last week, in fact, saw no news cal-
culated to move stocks out of their rut, in spite of genuine attempts to con-
nect some trifling fluctuation with poli-
tics, money or the weather. From the averages it is plain that the condition has not been changed specially since a week ago. Both the industrials and the railroads continue to fluctuate within a narrow range, and both averages prices would require to take a definite move in either direction simultaneously to give any trustworthy lead on the fu-
ture movement of the market.

Certainly there is nothing to take back the conclusion that the main tendency of the stock market is still upward, with long pauses and occasional setbacks. The main swing has now run for a year or more, and in the general condition of business is subject to change without notice.

The Wall Street Journal: May 27, 1912

Last week saw no important changes in stocks, and the extreme fluctuation did not amount to a point on the average in the railroads, or much more than half of that in the industrials. Upon the whole there was a tendency to sag, but the market was not under pressure, and acted in an entirely normal way, with-
out any evidence of manipulation.

Trading was largely professional, with much enough of activity in minor specialties, each with its own strictly limited popularity. Operators for the rise reported an unsatis-
faction with the "upside," and on the showmanship side only a few traders on the floor could have made any money. The market, indeed, is marking time, and the averages cast about as
The Wall Street Journal: July 8, 1912

After showing considerable strength last week the stock market sold off after the holiday, losing practically all the week's advance, and in the case of the industrials, a little more. Stocks acted as if they wanted to take off but were obviously hampered by the indifference of the trading public, and in these circumstances professionals did not hesitate to attack. The morale at the beginning of the week may reasonably be ascribed to the satisfaction felt at having the party conventions out of the way, with a straightforward and representative nomination on both sides; and also with the knowledge that politics would be much less strenuous for 2 or 3 months at least.

From the purely technical point of view of the averages, not much information is to be gained. The industrials made a new high point in the present movement on Tuesday, but the railroad group failed to follow, and no specific lead was therefore indicated.

The most that can be said to the student of the price movement is that the averages have not taken back their bull points or given any trustworthy bearish indications.

Prices, in fact, are in the same rut that has confined them for three months or more, and an advance above 93 for the industrials and 129 for the railroad stocks (the latter three points above the present figure) would constitute the nearest bull point, on the accepted method of reading the averages.

The Wall Street Journal: July 10, 1912

THE PRICE MOVEMENT

In writing of the price movement on June 4 it was pointed out that the average prices of both industrial and railroad stocks had on May 31 simultaneously broken through a line which they had established within narrow limits in a period of close on three months, on the customary basis of aligning the averages, and the one which has left stood the test of experience, this looked bearish, although prices rallied to the old line again a few times. It was said at that time that the bearish point had been given which has not been taken back, in spite of the recovery.

On the same reasoning, if that were true, it is true today. The small rally then in progress merely brought the industrial average from 88.1 to 90.67 and that of the railroads from 118.87 to 120.66. The latter figure has not been touched since. The industrials have shown some independent strength, giving a doubtful bull point on July 2, almost immediately taken back; with a subsequent decline, bringing both averages within little more than a point of the low level of the past four months.

In spite of the deceptive bear point on May 31, the net result is a condition which still indicates the maintenance of the old order. The bulk of the sales are for so long a period a large volume of trading, which may be taken as organized distribution or accumulation, in a market which, it is true, is not perfect, and in which the natural and unmanipulated, even if a substantial part of the transactions were made up of professional trading. It may even be said that the line of least elasticity to the line of distribution, representing the low limits of industrials and railroad stocks, respectively, at 88 and 118, while it is necessary to establish, simultaneously, or virtually so, 92 and 123, before anything looking like a bull point, and upward movement out of the rut could be endured.

At the present level the industrials are nearly three points away from the high line, and not much more than a point from the low one; while the railroads are considerably more than three points below a bullish figure, and within a point or so of a price which would confirm the bearish indication given on May 31. The price movement is becoming increasingly interesting, and ought soon to give more definite information, after a period of narrow fluctuations highly suggestive of itself. Looked at from the purely technical point of view, the averages are anything but bullish, although there has been no positive bear point since they were last discussed.

The Wall Street Journal: July 15, 1912

DEVELOPMENTS OF THE WEEK

A REACTIONARY STOCK MARKET

With encouraging reports from many sections, and an essentially sound condition indicated in steel, transportation and other basic industries, the stock market last week was noticeably less significantly depressed. The downward movement was uniform, and the most sinister feature was the dullness on small rallies and the markedly increased activity on declines.

Professionals have taken a somewhat bearish point of view of the market for several weeks past, acting more or less on the theory that if stocks could not be advanced on good news and prospects, and the removal of disturbing factors, like the political conventions, there must necessarily be a stale ant account, which would sooner or later prove itself vulnerable to well-organized attack.

From the technical point of view of the averages, there is a good deal to be said for the professional theory. Within the relatively narrow range of 88-92 for the industrials, and of 118-123 for the railroad stock averages, the market has been in a rut for months past, having given a bear point by a simultaneous break of the two averages on May 31 which was not subsequently confirmed but not taken back. Both averages on Friday broke below 88 and 118 respectively.

This is, of course, in line with the professional idea. The long period of fluctuation within a narrow range is assumed to have been a random distribution of stock. No market will hold more than a manageable floating supply, and when this is exceeded, something which may be called saturation point is reached and precipitation follows.

The Wall Street Journal: August 19, 1912

The Wall Street Journal: September 23, 1912

It will be noticed that the averages show substantial advances on the week, and the industrials have crossed the high price recorded in August and are now at the top for the year.

The railroad stocks are still a point below the August high; but an advance there would give a general bullish aspect to the market, on the accepted method of reading the averages, in spite of the financial difficulties tending to restrict operations for the rise.

The Wall Street Journal: September 30, 1912

Stocks were strong in the early part of last week and inclined to hesitate in the last three days. The net improvements on the week was, however, substantial, and the market has at least broadened sufficiently to stand up under a heavy volume of profit taking and re-
siderations, the student of the price movement would consider that the ad-
trance had no means exhausted its strength.

The Wall Street Journal: December 9, 1912
The averages begin to look interesting again, and at Friday (Dec. 6) level
a gave something like a bear point, al-
though only one of the averages made a
new low. The market, however, seems to have dropped out of its groove and
technically, the argument is for lower
prices, although it may be that the mar-
et is, as the French proverb says, run-
ing back to jump better.

The Wall Street Journal: December 16, 1912
It was pointed out in this paper a week ago that the averages had broken
through the lower line of their groove, and
gave a genuinely bearish indication. Events fully justified this conclusion;
but there is nothing in the averages to show how far the December decline
guild might go; while the indications of the
usual January rally are not likely to be
explicit.

The Wall Street Journal: December 20, 1912
Looked at from the purely technical point of view of the averages, the stock
market acts as if it had seen the customary December break, and was now rally-
ing for a substantial upward movement in
the new year, possibly extending into the
early spring. The December decline in
both averages was nearly nine points, which is heavier than usual. The two-
point rally from the low looks bullish, according to the usual method of read-
ing the averages.

The Wall Street Journal: January 20, 1913
When Wall Street gets a fit of the blues in the face of a continued large
volume of business, in the aggregate, it
means that it is discounting a position
as far ahead as it can see. The market
does not trade upon what everybody
knows, but upon what those with the
best information can foresee. There is an
explanation for every stock market
movement somewhere in the future, and
the much talked of manipulation is a
trifling factor.

After making an interesting line
within a narrow range in a period ex-
tending over a month, the averages of the
railroad and industrial prices broke
through the line at the beginning of the
last week, giving a bear point which
was sufficiently confirmed by the sub-
sequent movement of the market. The
movement is the more noteworthy as
not more than ten days ago the indica-
tions were rather the other way, but for
the fact that the industrials did not
confirm the somewhat bullish indications
of the railroads. There is nothing in the
averages to say that the bear movement is
over.

The Wall Street Journal: February 3, 1913
On the averages, the bear point given
when the break began in the middle of
January has by no means been taken
back. Stocks, however, are beginning to
form a new line at the lower level, and the
averages do not look as bearish as
they did a week ago. The technical
inference, in fact, would be that some
further rally is indicated.

The Wall Street Journal: February 10, 1913
Looked at from the view of the aver-
ges, the stock market gave a somewhat
bearish indication. The active railroad
stocks on Thursday were within a quar-
ter of a point of the low of Jan. 20, and
the industrials were less than a point
and a half away from their figure then.
A decline below these points would look
decidedly bearish, on the most satis-
factory method of reading the averages.

The Wall Street Journal: February 17, 1913
Both averages made a new low point
during the week and this in itself would
be decidedly bearish on the accepted
method of reading the market movement
by this means. Certainly the previous
bear indications have justified themselves
since prices began to go back, and the
failure of the rally which culminated
about the end of January is another
bearish indication.

The Wall Street Journal: March 3, 1913
There are always special reasons of-
fered at the moment, to explain why a
market goes up and down, but they do
not really explain, for the cause of
market movements are absolutely unex-
pected and unforeseen, they are dis-
counted in the price of stocks long be-
fore the public begins to take cognizance
of them. Nowhere is it true that coming
events cast their shadow before, as in
the stock market.

Of outstanding influences, those which can
be definitely traced are rather in the di-
rection of discouraging speculative ac-
vity, and have not yet developed into
an active reason for selling investment
holdings of stocks. The principal legisla-
tion at Albany, for the report of the
Pujo Committee, alike in Wall Street and
in Congress, is treated with well-
meaning but exhausted contempt.

On the technical position by the av-
erages the outlook is not for any marked
change in the present trend. A strong bear
point has not been given when prices broke
out of the groove which obtained up to the
middle of January, and it must be ad-
mitted that that point so given has not
been utilized back, although if the market
made something of a line at the present
level, a rally in both averages would
look bullish.

The Wall Street Journal: March 17, 1913
Indications from the averages are of
a rally that is negative character. No
genuine turn in the market is shown, but
a somewhat narrow fluctuation after a
severe decline indicates something of a
line, and a movement out of that range
would be bullish or bearish, as the case
might be.

The bear indications given in January
have not been taken back, but the down-
ward swing has stopped, for the mo-
ment at least, and the market is wait-
ning for a new impulse to develop.
THE DOW THEORY

The election of McKinley, suffers an apparent disaster in the Northern Pacific panic of May, 1901, and then continues its true direction, with an upward movement which would culminate in the late autumn of 1902. Declines in that period were severe but of brief duration.

If, as the averages seem to indicate, the broad tendency of prices is downward, a sharp rally, carrying prices above the average several points higher, would be very much in order at this time. It would be deceptive, as such rallies are always true, but to the student of the averages, familiar with their history, it would be almost proof positive of the deeper general tendency of stock prices.

The Wall Street Journal: April 7, 1913

The market may be said to have established two claims for confidence, in the ability to take care of itself both on the death of Mr. Morgan and on the disastrous floods in the Middle West.

There is some confirmation of this in the averages, which, to use a sporting phrase, are running remarkably true to form. They made a line within a limit of two points in both the industrials and the railroad stocks during March, and it has been pointed out in these columns that the advance above that level more than a week ago was bullish. The gain since that time has been three points on the average, and nearly five points from the low of March 20. Technically a further recovery is indicated.

The Wall Street Journal: April 14, 1913

On the averages, eliminating all outside influences as having been discounted in the price, the showing for the week is not bearish, and a two point rally to the last previous high point, made April 4 for both industrials and railroads, would be bullish, and would not take much of an advance; while a decline below the low point recorded about March 20 would be necessary to give the student of the averages a bear point.

The Wall Street Journal: April 28, 1913

On the averages the indication is bearish. Prices have steadily receded from the high point of April 4, and a further decline of less than a point in the railroads, and of not much more in the industrials would break through the low point of March 20, giving, on the customary method of reading the averages, a positive bear indication.

The Wall Street Journal: May 5, 1913

DEVELOPMENTS OF THE WEEK

A MODERATE RALLY IN STOCKS

Showing renewed weakness in the early part of last week, particularly on Tuesday, the stock market steadied itself on Wednesday, and on the following day made the best rally since the beginning of April. The recovery was rather technical, in the respect that stocks were sold out; but the relief from pressure restored confidence in the general outlook.

It could hardly be said that stocks moved upon specific news. A great deal of the pressure looked, which is not good to be true, as, for instance, in New Haven stock, which has never hitherto been good for a spread. The frightening of weak holders of the stock by the report, as it appears to manifest, and, of course, something of the kind was essential in creating a bear market in an investment stock where there must be a floating supply to borrow.

Stocks did not move on broad news considerations, and so far from suffering from the European situation, London, and presumably the Continent, bought substantially on balance. Without seeming unpatriotic it may fairly be said that London buys staples and securities on their merits when they look intrinsically cheap, without concerning herself about the possibility of their looking cheaper; while our disposition is to buy whenever everybody else is buying, as, for instance, when the English spinners get a few cents, while our own manufacturers pay top prices for the worst of the crop.

It looked on Wednesday as if the averages might give a definition by making a new low point for the industrials where one had already been made for the railroad stocks. This failed to materialize, and while the showing of the averages is bearish, it still lacks that simultaneous movement in the railroads and the industrials which would be, according to the experience of price movements over a long period of time, a significant danger signal.

The Wall Street Journal: May 12, 1913

THE PRICE MOVEMENT

On Monday the average prices of twenty active railroad stocks and twelve industrials made a simultaneous movement which may conceivably throw considerable light upon the future course of the stock market. At one spread the railroad had fluctuated for more than a month within a range of less than two points and the industrials had moved within limits still narrower, both together broke through the line of dullness so established, and made a new low point for the year.

The Wall Street Journal: June 4, 1913

To those who have not read previous discussions of the price movement as diagnosed from the averages, it should be said that the price average by its very nature discounts everything. Dullness and inactivity are but symptoms, and for these the average allows, as it does likewise for activity, unexpected news, dividends and everything else contributing to make up the fluctuating market price. This is why the volume of trading is ignored in these studies. In the quarter of a century of the price movement recorded in the Dow, Jones & Company averages, the volume of business has borne little perceptible relation to the tendency of prices.

Stress should be especially laid upon the fact that the two averages made their new low point simultaneously. A new low or a new high made by one but not confirmed by the other is almost invariably deceptive. The reason is not that the movement is false, but that the selling weight upon the other; and if the market for railroad stocks is sold out it cannot lift the whole list with it if there is a superabundant supply of industrials.

To use a simile which has done good service in this place before, it may be said that the market, when the prices break through a long line, as they did on Monday, has reached saturation point, and that precipitation is consequently indicated. It is easy to say that brokers are not carrying much stock. Stock is carried somewhere; and the averages show quite plainly that enough of it is being supplied to force a lower level as a protection to the market.

In fact, the averages look decidedly bearish. They do not pretend to tell the reason for the decline they seem to predict, and indeed, reasons for declines or advances are only fully disclosed long after such movements have occurred. The aggregate knowledge of coming events, as reflected in the impartial movement of the averages, is greater than any single individual can possess. It is not here suggested that stocks are dear, or that some of them are not genuinely cheap. But the price movement, on the experience of twenty-five years of the most conservative and impartial record yet, points to lower prices irrespective of values.

The Wall Street Journal: June 16, 1913

Looking at the averages, the market may be said to have developed an incipient secondary movement, which may run further. If it holds its present rally, fluctuating with a small distance of the higher level, and then advancing above that line, it looks safe to assume a secondary bull swing in what has unquestionably been a bear market since last autumn.

If the advance were lost, however, and a new low point established in both the industrial and railroad stocks, the averages would again look decidedly bearish.

On past experience they are now running, to use a sporting expression, remarkably true to form.
THE DOW THEORY

The Wall Street Journal: June 23, 1913

It would be difficult to lay the movement of the market either way to any one specific influence, and whether Congress is sitting the vagaries of our politicians may safely be quoted to the unfortunate investor for the erratic movements of his stocks.

General trade conditions and the promise of the crops might also be quoted, but probably the technical condition of the market, due to over-selling, and the more thorough absorption of liquidated stocks, would constitute sufficient explanation of price movements.

This holds good when the impartial test of the averages is applied. Starting on June 12, the twelve industrial stocks had rallied 3.74 points, and the twenty active railroads 4.55 by June 18. This is a substantial recovery, and was only to be expected after the long and severe decline.

The averages are giving a good deal of light at present. Prices seem to be in the secondary upward swing characteristic of a market as we have had since early last autumn. The rally might easily run further, and on past experience, if stocks continued to make a “line,” fluctuating within narrow limits as they did last week, and then advancing above that line, it might fairly be argued that the bull swing would run further. If, however, the averages went back to the low points of June 11, the indication would be decidedly bearish.

The Wall Street Journal: June 30, 1913

On the averages stocks do not give any definite suggestion yet, but they would offer an important lead with a more moderate change in price, provided it occurred simultaneously in the industrial and railroad stocks. A decline of from two to three points (in both averages would break the last low point of June 11, and this would mean a resumption of the primary movement.

If, however, the averages rallied from one to two points, to figures above the high point of June 18, it would look as if the secondary rally in what has been a bear market since Last October had not exhausted its impetus.

The Wall Street Journal: July 14, 1913

There is not much information to be gleaned from the averages, but their showing is by no means bearish. An advance of less than two points in the railroad stocks, and of a bare half point in the industrials would look decidedly bullish, especially if the two advances were recorded simultaneously. To give an indication of the resumption of the broader bear movement which set in last autumn, both averages would need to decline more than three points. Students of the price movement will be inclined to think that chances favor a further rally on the technical position.

The Wall Street Journal: July 21, 1913

From the point of view of the averages, the indications are decidedly bullish. This is not to say that they show a primary bull market. But on Friday the average price of twelve industrial stocks and twenty railroad stocks crossed the previous high price of the present rally recorded a month ago. This would seem to indicate that the bull swings in the bear market which set in in November, had by no means exhaust itself. In other words, the averages ring the bell for the usual August advance in stocks.

The Wall Street Journal: August 11, 1913

The market seems to indicate a further improvement. It was pointed out in this place more than a month ago that the average prices, after making a line within a narrow range, had advanced above that range, indicating clearly enough that the floating supply of stocks had been absorbed and more would be forthcoming only at higher prices. The bull point made since then has another indication that it may be said that the averages have not taken it back so far.

The Wall Street Journal: August 25, 1913

From the averages not much is to be gleaned. Prices are making something of a line, though the signal may be instructive later. On August 18 industrials touched 90.98, and the railroads 107.76. No reaction since that time has carried the average price of a former point and a half below the last high, and the same is true of the railroad stocks.

This represents the fluctuations of nine trading days, and, continued for a little longer, would indicate either distribution or accumulation for a further advance. An advance beyond the height of August 13 would be bullish, but a definite break through the line might easily indicate the end of the present highly typical secondary bull swing in which since last October was a primary bear market.

The Wall Street Journal: September 8, 1913

Looked at from the point of view of the averages, the outlook is by no means bullish as it was, although positive bear indications are lacking. For nearly a month in the case of each of the averages, prices have fluctuated within little more than two points range. On Aug. 28, the industrials advanced above this line, but on Sept. 2, after the averages had been exhausted, the prices broke through on the down side, and the industrials held their own. To readers of the average, this constitutes a “line,” especially as both averages are now well within the old range. A simultaneous movement in either direction, but especially downwards, would, on previous experience, give an important lead on further movements.

The Wall Street Journal: September 15, 1913

Regarded from the point of view of the averages, the stock market looks as if it were working higher. The prices made a long line during the month of August and early in September. The railroad stocks sold below the line on Sept. 3, after the industrials had advanced above it on August 28. The latter average advanced above the upper side of its line, which may be taken as 81.5, on Sept. 5, but the industrials hung back.

These independent movements, on previous experience, are usually deceptive, but when both averages advance or decline together the indication of a uniform market movement is good. This simultaneous advance on Friday may be reasonably taken as an indication that the floating supply of stocks has been absorbed, and that a higher level will have to be established before any quantity comes out.

THE PRICE MOVEMENT

On Sept. 18 the averages of both the twelve industrials and the twenty active railroad stocks, taken for purposes of comparison over a number of years by this newspaper, recorded the high figures for a movement which set in after the low point of the year had been reached on June 12. The net advance had been something over eleven points in the industrials and rather less than nine in the railroad stocks.

Preceding this advance the market had declined, with only the briefest rally, that began in the middle of October. In that nine months' decline the industrial stocks lost over twenty-two points and the railroads twenty-four. As a secondary rally following a primary market movement, the decline occurred after a long period of indeterminate fluctuations following a bear market. Assuming that the character of the radical price movement of October, is the rally which has been in progress since last June a primary change in the market movement, or a secondary swing in what is still a bear market?

In lapse of time the recovery has not taken more than has often been consumed by a bear swing in a bull market or a bull swing in a bear market, during the history of the averages. On the other hand, the nine months consumed by the previous decline is much too long for any secondary market movement; while it is not long enough for one of those great and radical market changes indicating broad modifications in general conditions, which it may be assumed the stock market reflects, and in a large measure presupposes.

It seems, on all previous experience of the averages, reasonable to assume that the recent upward swing was the period of secondary movement against the main current, rather than a broad change of direction. It does not follow,
however, that the minor movement has exhausted itself, and on really useful trustworthy methods of testing the averages the inference would be that it has not. Between Aug. 61, inclusive, the industrials did not fall below 79 or rise above 81. Between August 4 and Sept. 2 the railroads did not sell below 106 or above 108. This indicated a "line"—that is, a period either of distribution or accumulation, to be interpreted by the subsequent movement above or below those limits.

Both averages gave deceptive indications. The industrials sold above the line in the last two trading days of August, but did not carry the railroads with them. The railroads sold below the line on Sept. 3 and 4, but without a similar movement by the industrials. On Sept. 12, however, the two averages simultaneously made a new high point. That indicated reasonably that the floating supply of stock had been absorbed, and that an advance to a higher level would be in order before a new supply checked the movement or reversed it.

Stocks have been marking time within a comparative narrow range, since the high point was made, but if the reasoning submitted is sound, the bull point of Sept. 12 has not been taken back.

The Wall Street Journal: October 13, 1913

It must be confessed that the averages look decidedly bearish. With the industrials below 79 and the railroads below 106 there is a simultaneous decline below the line established throughout September and maintained up to the present. The bull point, given when stocks advanced above the line on Sept. 12, did not make good for any length of time; and the movement of the market since indicates that heavy distribution of stock has been made.

The market seems at saturation point, and precipitation might be expected, carrying prices lower, and not improbably resuming the downward swing which set in a year ago. The secondary bull movement which began early in June and culminated Sept. 18, would be entirely in line with this assumption.

The Wall Street Journal: October 27, 1913

Regarded from the point of view of the averages, the market may be said to have given an authoritative bear point on Oct. 11, which has not been taken back, and justified itself in a sharp decline. There has been a rally to about the figures prevailing then, but a very much broader and more impressive movement would be necessary to indicate the real resumption of the secondary bear swing in a bear market which started in June and culminated about Sept. 3.

It is as well to repeat the occasional caution given in this column, that the averages make a good barometer, viewed from a disinterested point, but are calculated to ruin anybody if treated as a "system" for playing the market.

The Wall Street Journal: December 8, 1913

From the point of view of the averages, nothing very striking is to be gleaned. Industrial and railroad stocks are one and two points respectively, above the low figure of the present movement; but the low point of last June, before the substantial autumn rally set in, has not been touched again; while the recovery since the broad bear market has not been particularly convincing to students of the averages.

If the prices were to make a line about the present level, which would mean a long series of fluctuations within a narrow range irrespective of volume, an advance above those limits might look rather bullish. There has not been time to make a convincing line of the sort; and students of the average price movement who have been bearish would hardly see cause for changing their position.

The Wall Street Journal: January 5, 1914

Not much information could be derived from fluctuations of the averages last week. On the usual movement in a market which ought to be approaching the latter part of a long primary downward movement, some further rally seems indicated, although deductions to be drawn from the averages are more applicable to the secondary swing than the broad underlying current of the price movement.

The Wall Street Journal: January 12, 1914

There was nothing in the averages to stimulate speculative activity. Since the last low point was made in the middle of December there has been a substantial advance, extending to four points in the industrials. A new high point was established by that group last week; but the railroad stocks did not follow suit. On comparisons with the averages in the past the conservative inference would be that the secondary bull swing in what is primarily a bear market is still in operation.

The Wall Street Journal: January 19, 1914

On the movement of the averages both the industrial and the railroad stocks continued to give a typical example of a secondary bull swing in a primary bear market. Such movements rarely develop into greater ones. But as the main bear market has been in operation since October, 1912, it is in the nature of things to assume that its final turn downwards is not far off, and that a reversal of the primary movement is due some time this year. Perhaps this is what the market is discounting now.

The Wall Street Journal: January 26, 1914

The present rally has the vigorous appearance of a secondary bull swing in the (primary) bear market, and there has been only one other such movement in its progress. Whether the present rally represents a radical change in the general direction, is a matter of opinion. In some important respects students of the averages will recognize that the market still lacks that endorsement.

The Wall Street Journal: February 2, 1914

The averages still fail to show whether the present movement is merely a secondary bull swing in a bear market, which has not concluded its primary movement, or whether conditions are reversed and the present advance is a change in the main current. Both averages give some signs of making a "line" around present levels.

This may indicate well-organized distribution, or accumulation for another advance, as the case might be. The next fortnight or so ought to decide, when an advance above the line of both averages, or a decline below, would be equally significant.

The Wall Street Journal: February 9, 1914

Students of the averages should find them interesting. During the present rally they have several times come within a fraction of making higher points than those of the recovery which marked last autumn. Both the industrial and railroad averages have done this independently, but not simultaneously.

For four weeks past the extreme fluctuation in either average was considerably less than three points. This gives every indication of a "line" which should throw light on the future movements of the market, as it clearly discloses either distribution or accumulation in large volume.

If the two averages went below 80 and 106 respectively, simultaneously, or above 84 and 110, the one would indicate the close of a secondary bull swing in a primary bear market; while the other would impel students to consider whether the main current had not changed when the present rally set in.

The Wall Street Journal: February 12, 1914

PRICE MOVEMENT

For twenty-four trading days the averages prices of twenty active railroad stocks and of twelve industrials have been making what is called a "line." The industrials, for instance, in that time have not sold below 80.77, or above
83.19; while the railroads have moved between 104.50 and 109.10. During that time there has been a relatively large volume of transactions.

On all previous experience of the averages this indicated that heavy distribution in a market receiving organized support, or a large accumulation with a view to a further advance. The only difficulty for the student of the averages, in fact, is to say whether the rally which set in on Dec. 16, 1913, was a secondary bull swing in a bear market, or whether there had been a radical change in the primary movement.

At the beginning of October, 1912, when the industrials were selling at 94.12 and the railroads at 124.35, a primary bear market set in which, by the middle of the following June, had reduced the industrial average to 72.11 and the railroad average to 100.50. Following this there was a typical secondary bull swing, which carried into the following September, with a net recovery of nearly eleven points in the industrials and something more than eight points in the railroads. This represented less than half the previous decline.

A resumption of the bear movement carried the industrial average back to within three points of the June low, and the railroad average within less than two points. Since that time the market had had a substantial recovery, and at the beginning of February had regained nearly eight points in the industrials, and about as much in the railroads.

Students of the averages may take their choice as to whether the bull movement which set in two months ago has spent its force. On previous experience of the averages a simultaneous movement to about 105.50 and 106.50 respectively, would indicate rather clearly that the primary bear market had resumed. On the other hand, an advance above 83.19 in the industrials and 109.43 in the railroads might indicate a radical change in the primary movement. If the bear market were resumed, the chances would point to figures below those of last December, and, less probably, under those of the June rally. According to precedent, the main market should exhaust itself some time this year.

The Wall Street Journal: March 2, 1914

To be convincing, both averages must move together. If the stationary market of the past month was the result of well-organized distribution, the saturation point will show itself in a decline in the industrials corresponding to that already shown in the railroads. On past experience vigorous precipitation might follow.

The Wall Street Journal: March 9, 1914

On the averages, the market at the end of the week gave indications which would point to a resumption of the main bear movement, which began in October, 1912. Both averages had made a striking "line," and the movement below that line is a sufficiently clear indication of organized distribution which has left the market saturated with stocks, which the short interest is not large enough to absorb.

The Wall Street Journal: March 16, 1914

It has been said that the stock market is a good barometer of trade, and this is largely true when it is clearly understood that it is prophesying as far ahead as it can see. It is seldom, however, that the movement in prices coincides with the immediate movements of trade. It is the more curious therefore, that the present condition in the stock market should so exactly reflect the general showing of business all over the country.

Stocks rallied in December, and ran up during January and part of February, coincidently with an ordinary and seasonal revival of business. Then there was a halt, followed by fluctuations within narrow limits, about corresponding to the general business movement of the country.

A week ago the market seemed to be full of stocks, and broke through its supports in some cases, again following the conditions of general trade. In like manner it seems to be hanging on the edge of a considerable contraction; while a broad change of the most radical character would be necessary to restore a basis for the precipitate assumption of returning prosperity which was so popular a month ago.

This seems to be about the reflection of the market in the averages. They made in the case of both the industrials and the railroads what is called a "line," in which their fluctuations were confined for some months trading with considerable emphasis, that the bear market which started in October, 1912, had resumed its sway.

The Wall Street Journal: March 23, 1914

Little can be gathered from the averages. They may be said to have taken back the bear point partially given when the railroads broke so far below the line. Jurists are unimpressed on the edge of it. They would have in each case some distance to go to give a bullish indication, while they would have to repeat the decline at the beginning of the month simultaneously to indicate that the market was full of stocks to liquidate except at lower levels. This figure would be approximately 90.5 for the industrials and 103 for the railroads.

The Wall Street Journal: March 30, 1914

Both the industrial and the railroad averages had a substantial setback, and are now within less than two points of a low figure, which would indicate a definite resumption of the main bear movement. To do this, and to indicate fully that the stock market had reached saturation point, a simultaneous movement of the two averages would be necessary. The significant figures would be 103 for the railroads and 80.5 for the industrials.

A much more considerable advance would be necessary to indicate an independent bull movement.

APPENDIX

The Wall Street Journal: April 16, 1914

PRICE MOVEMENT

For seventy trading days previous to April 14, the average price of the twelve industrial stocks did not go above 84, or below 72.11. Before that date, the average price of twelve of the railroads never went above 106 or below 103. There is a range of three points for the two averages kept for comparison by The Wall Street Journal, and they simultaneously broke through the "line," on the lower side, on April 14. On all previous occasions of the averages, the indication is so bearish as to point to a resumption of the primary bear market which set in early in October, 1912. Both averages, in fact, made a "line," and the fact that they broke through indicates exceptional support for the distribution of stock to a point where the market became so full that it could not carry any more; and, like the humidity in the atmosphere, precipitation had to follow.

It may be explained again that the "theory" of Charles H. Dow, confirmed by many years of observation, was that the market had three simultaneous movements. The first of these is the primary movement lasting for a year or more. The second is the occasional rally in a bear market, or the break in a bull market. The third results from the fluctuations, which for present purposes of discussions may be discarded.

There were two well defined secondary bull swings in the bear market, which is now apparently in operation. The industrials from the end of September, 1912, when they sold at 94.15, declined to 72.11 in the following June. The railroads in that time sold down from 124.35 to 100.50. The secondary bull swing then carried them up to 85.43 and 109.17 respectively. On the resumption of the bear market, in September of last year, the decline extended to 75.27 and 101.87. The second upward swing at the beginning of this year carried the industrials to 85.43 and the railroad stocks to 107.26.

At these figures it was an open question whether the primary movement had changed. The recent decline indicates that it had not, unless the averages falsify themselves for the first time in like conditions. They are frequently misleading where one group breaks through
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The line and the other does not. When, however, the movement is simultaneous there is a uniform body of experience to indicate the market trend.

Opinions would vary as to the probable extent of the bear movement before a radical change takes place. It would be in line with previous movements if something under the low of June, 1913, were established in the coming summer.

The Wall Street Journal: June 8, 1914

There is an interesting situation in the averages. Since April 30, or for thirty-two trading days, the price of the twelve industrial stocks has not been below 79 or above 82; while twenty active railroad stocks in that period have not been below 101 or above 104. This is a very well marked and typical line, which can only indicate one of two things—a period of accumulation or a period of well managed distribution.

If the railroad stocks should reach 101 and the industrials, simultaneously, at 79, the indication would be most positively bearish, and would point to an active resumption of the main bear movement which developed in October, 1912. An advance to 82 and 104 respectively, however, would be definitely bullish, and might easily indicate a primary change in the market movement, pointing to a bull market of a year or more duration.

The Wall Street Journal: June 15, 1914

There is an interesting situation in the averages, which may have large significance in the near future. Since the beginning of May the industrials have not been as low as 79, nor as high as 82 while the railroads have not touched 101 or 104 respectively. Here is an extreme fluctuation in each case of considerably less than three points over a period of thirty-seven trading days. Even allowing for the narrowness of the market, this seems to indicate successful accumulation or distribution. A simultaneous advance of both averages to 82 and 104 respectively would mean a gain of less than a point, and would be decidedly bullish, as indicating the complete absorption of the floating supply of stocks. Such a movement would be acting strictly according to prece-

dents if it inaugurated a primary bull market, such as culminated in June, 1912.

The Wall Street Journal: June 22, 1914

Stock market movements have a significance over and above the mere effect on the market value of securities. But it is not so generally realized that stock market stagnation is a symptom in itself, from which useful lessons may be drawn. The net fluctuation in the industrial and railroad stocks last week was in each instance less than a point, on the average.

If the volume of sales precludes the idea that any large accumulation is in progress at the amount of steadiness of the market and the absence of any need or organized support are valuable, in respect of the light they cast upon the future. Price movements, indeed, have the invaluable quality of reflecting the business of the country far ahead as the combined intelligence and information of the country's financial center can see.

On a major premise such as this, virtually amounting to an axiom, it can be said that the stock market indicates that, for some distance ahead, business cannot get worse, and may become better, and this view is curiously borne out in the remarkably slow movement of the averages for seven weeks past.

During that time the price of the industrials has not touched 79 on the one side, or 82 on the other side. There has been an identical restriction in the movement of the railroads, where the price has not been down to 101 or up to 104. Granting spells of inactivity for days together, there must yet in that time have been either remarkably well handled liquidation, which will ultimately leave the market at saturation point with precipitation to follow or an orderly absorption of stocks, which will lead to a sharp advance in prices, when it is realized how small the floating supply.

In other words, a simultaneous advance of the two averages above 79 and 101 respectively would be decisively bullish, as indicating the complete absorption of the floating supply of stocks. Such a movement would be acting strictly according to prece-

to the former outcome seem to gain in

volume.

The Wall Street Journal: July 14, 1914

PRICE MOVEMENT

On April 16 the price movement, as shown by the two stock averages, was discussed in these columns. It was possible to say that after the twelve industrial stocks had not for 70 days been above 84 or below 81; while the railroads for 40 days had not been above 106 or below 103, a line of distribution had been demonstrated. The simultaneous break below the line of the two averages continued the railroads down to 89.25, and the industrials to 76.07, reached April 25.

It is fair to assume that this break indicated the resumption of the main or primary bear market which set in at the end of September, 1912, when the railroads were selling at 124-35 and the industrials at 85.75. There were two secondary bull swings, but the movement downwards, when these had spent their force, was consistent.

In the past 41 days a line similar to that described last April has been made. The industrials in that time have not been below 79 or above 82; while the railroads in the same period have not been below 101 or above 104, with a single exception in the case of the latter, which proved nothing. The small "warning" bet in 101, in fact, was immediately taken back.

With a primary bear market which has undoubtedly been running for less than two years, there is, a change in the main movement cannot be far off. Such a change comes not from a quick rally after a severe decline, but following a prolonged period of narrow fluctuations within a well recognised range. Such a period is now in progress. If the averages simultaneously break below the respective low points of the line of 79 and 101, the inference is that the main bear market has not spent its force.

If, however, the averages advanced simultaneously above 82 and 104 respectively, the inference would be bullish, and might even indicate the beginning of a new primary move. Only be interrupted by occasional secondary bear swings. It would then be clear that there had been a line of sound accumulation, and that the stocks so absorbed would not come on the market again except in eventualities sufficiently far ahead as to warrant the assumption of raising prices for more.

At no time have the averages been more interesting than they are now. It is assumed in these studies that they are impartial, and allow for everything. They cover too many issues to make manipulation possible, and in the past have discounted all contingencies, including the volume of business.

The Wall Street Journal: July 20, 1914

There is certainly not much comfort in the averages. The twenty active railroad stocks, fluctuating so long between 101 and 104, broke through the lower line on Thursday. The industrials did not follow, and are still between the limits of 79 and 82, which have obtained for an unusually long period. If, however, the average broke through this line a resumption of the main bear market in operation about October, 1912, would be clearly indicated.


PRICE MOVEMENT

Since the price movement, as shown by The Wall Street Journal averages of twelve industrial and twenty active railroad stocks, was discussed on July 14, 1914, two unprecedented conditions have supervened. One was the closing of the Stock Exchange for a period of eighteen weeks; the other was the fixing of arbitrarily low prices on the re-opening of the Exchange.

Nevertheless, even these conditions are not sufficient to induce a change in the accepted method of analyzing the averages. Undoubtedly, the war has produced a continuance of the bear market, which at the closing of the Exchange had lasted within three months of two years. It might, almost be said that a semi-panic break had taken place in the last four days previous to the close of the market, and on its reopening a dullness of prices that might be expected. To some extent this was what took place. The industrial
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stocks on July 30 closed at 71.42, and the railroads at 89.41. A rally, with a re-
action, carrying prices down to the old panic level, or near it, would be in order.
The movement was not uniform in both averages, where the industrials only sold down 2.34 points before the close of the rally to 79.45 on Dec. 24; while the in-
dustrials lost 4.89 points at the same date, and at 87.40 were two points be-
low the close.

Still this was fairly typical, and rep-
resented a return to normal conditions, where the averages might be expected to give fairly trustworthy indications in the future, as they have done in the past.

There was a real recovery after the in-
evitable realising which follows a post-
panic rally. This carried the railroad stocks up 0.55 points to 94.05, and the industrials up 4.83 points to 78.41, both recording their maximum on Janu-
ary 21.

Since that date the market has sagged, losing not quite three points in each average. There are signs that it might make something of a "line" around the present level; and it is to be noticed that the movement of the two averages holds remarkably well together, which is always an important indication, because when one breaks through an old low level without the other, or when one es-
establishes a new high for the short swing, unsupported, the inference is almost in-
variably deceptive.

Indications are obviously anything but clear. But the tendency of the aver-
ages to discount everything, and re-
sume their well-tried functions as a barometer of the market movement, is in itself encouraging.

The Wall Street Journal: April 6, 1915

PRICE MOVEMENT

Is this a primary bull market? After the reopening of the Stock Exchange there was a recovery of an irregular character which was followed, in the case of the railroad average of stocks, to pre-
vent a decline in the price to 87.40, which was two points below the same-
what disastrous close of July 30, when the Stock Exchange shut down. The low point of the reaction in the industrials, however, after the first recovery, did not reach within two points of the Stock Ex-
change's closing price. The market bal-
anced then, and it was a question of what it would do. There was a vital point in-
volved, because a bear market which had been operating since the autumn of 1912, was possibly on the turn.

In December both averages steadied, the industrials advanced from a low of 75, with the railroads above 89. They maintained this minimum, with one break in the industrials to a trifle below 75, until Feb. 6. They had lost then two points recovery until Feb. 24, when the railroads touched a small decimal below the reopening low level, and the industrials at 78.61 had reached the low point since the Stock Exchange re-
sumed business.

It will be observed this was in effect the natural advance and reaction after what really constituted a panic, result-
ing from the closing of the Stock Ex-
change, moving in very much the same way that a panic recovery does. The tendency is to recover a part of the severe decline, say from the price of July 16, which meant some thirteen points in the railroads, and seven points in the industrials.

From that figure the indications be-
came an open question. If the two aver-
ages made a "line," it would indicate ac-
cumulation or distribution of stocks. From subsequent developments it looks as if there had been genuine accumulation by investors.

Industrial stocks from Feb. 25 up to
March 20 did not go below 74 or above 78, representing twenty-four trading days; while in the same period the rail-
road stocks were not below 87.91, or above 90. This is clearly a "line," from which subsequent movements may indicate the primary movement in one direction, unlike the phenomena of one to three or four trading days of the secondary movement, the quick recovery in a bear-
market, or the rapid liquidation after an advance, could interrupt, but not arrest, the main movement; while the third influence, that of the day-to-day trading, need not be seriously considered in an extensive view.

After the inference drawn on April 6 had justified itself, the stock market had what looks like one of these secondary reactions. The industrial stocks had sold close to 91, and the railroads above 95, but both experienced a decline amount-
ing, at the low figures of the reaction to near five points, in the industrials and nine points in the railroads.

But after this severe decline, which should be classified as coming under the secondary price movement, the industrials for twenty-one days fluctuated between 79.83 and 84.89, with-
out touching the old high of the previous "line," upon which the bull market in-
ference should be based. There is not to sug-
gest there will be no subsidiary down-
ward swings, as the market becomes over-bought; or that there will not be the usual tertiary fluctuations from day to
day.

But there is a strong indication in the movement of the averages that there has been a distinct turn for the better in the averages, something like that in the early summer of 1904, holding to Janu-
ary, if not August, of 1906.

APPENDIX

The Wall Street Journal: June 9, 1915

THE PRICE MOVEMENT

There was a remarkable confirmation in the movement of the stock market averages, kept for many years by this newspaper, to the inference drawn on April 6 of this year, that there was a primary change in the market. It was said then that both averages had been making what is called a "line," either of distribution or accumulation of stocks; and that they had started to advance in a way to indicate that the bear market of over two years preceding had given way to a primary upward movement.

It will be remembered that, on what all students of the law apparently gov-
erning stock market price movements know as Dow's theorem (which is the standard), the primary movement in one direction might last for anything from one to three or four trading days of the secondary movement, the quick recovery in a bear-
market, or the rapid liquidation after an advance, could interrupt, but not arrest, the main movement; while the third influence, that of the day-to-day trading, need not be seriously considered in an extensive view.

The Wall Street Journal: June 26, 1915

THE PRICE MARKET

During a time when the industrial average, as shown in The Wall Street Journal's tabulation of twelve such stocks, has made a net upward movement of more than ten points, in thirty-
four trading days during the past week, the railroads have fluctuated within a close range of 2.90 points, and are about where they were when the independent industrial movement started.

Premising that conclusions drawn from one average but not confirmed by the other, are sometimes misleading, and should always be treated with caution, the remarkable stability of the railroad stocks has significance, and may fairly be treated on its merits. It does not of-
ten happen that one average will make an important movement while the other remains stationary. This has happened on the present occasion, and it is neces-
sary to go back to find similar movement. Then, the conditions were exactly reversed. It was the rail-
roads that advanced and the industrials that stood still.

Early in the year it was inferred in this place, correctly as subsequent events have demonstrated, that there had been a fundamental change in the price movement, and that the bull market was well under way. When the twenty active railroad stocks over thirty-four trading days fluctuate within a range of 2.49 points, one of two conditions may be assumed: either the prices are being accumulated for an important upward movement, or well organized distribution is in progress.

In view of a "line," so clear and definite, the more probable inference would be that the railroads are preparing for an upward movement corresponding to that already registered by the industrials. An advance of the railroad averages above 84,17 would be a strong indication that the floating supply of stocks had been absorbed. It would necessarily mean a substantial general advance before new supplies of stocks were tapped.

On the other hand, a reaction below 91.68, the low limit of the present line, need not be particularly serious. There is no way in which the industrials could by a similar movement give such a definite special significance. The situation is well worth following. The upward movement indicated would be a remarkably strong and convincing forecast of the market in the summer and autumn.

The Wall Street Journal: March 20, 1916

THE AVERAGES

Many subscribers have asked why there is not more frequent discussion in these columns of the price movement, from the point of view of the stock averages.

The answer is that the averages are not enlightening at present. They are not indicating anything more positive than the obvious fact that the bull movement which set in after the reopening of the Stock Exchange has not spent its force.

To this primary movement there can hardly be said to have been an interruption sufficiently impressive to be called a secondary swing. The industrial stocks have presented the most striking advanc-
this newspaper. The books which published that theory seem to be out of print; but briefly it was this: Simultaneously in any broad stock market there are acting, reacting, and interacting—their deft movements. That on the surface is the daily fluctuation; the second is a brief movement typified by the broad market or the sharp recovery in a bear market which has been oversold; the third and main movement is, that which decides the trend over a period of many months, or the main true movement of the market.

It is with these facts well in mind that the reader appeals to his analysis of the averages, summarizing that broad conclusion are valueless on the daily fluctuation and deceptive on the secondary movement, but possible and helpful on the main movement of the market, and of real barometric value to general business. It may be said as a matter of record that studies in the price movement, with these facts well in view, published in these columns from time to time and especially in the year just past, have far oftener right than wrong, and were wrong for the most part when they departed from Dow's sound and scientific rule.

This is why it was possible last Wednesday to say that the sharp reaction in the market from the beginning of the week was not the main movement, and did not invalidate the bull market which set in from the period of accumulation of stocks around the beginning of the year. That wise man would dream of trading upon such generalization; but the conclusions are sufficiently useful and definite to have secured the confidence of thoughtful and intelligent observers.

The Wall Street Journal: October 9, 1919

STOCK MARKET AVERAGES

Daily averages as compiled by Dow, Jones & Co. for twenty industrial and twenty railroad stocks have reached a point of interesting comparison with their course in the present past. At Tuesday's and again at Wednesday's the industrial average had just overtaken the level of mid July, when it stood at 112.23. It was fifteen points lower in August. The hourly at 82.04 are still nine points below the high point of the year, made May 28, and only four points above the low level of 78.66, made August 20. In both cases the reaction following the mid-year high was less than half the advance to the first week in February.

On August 6 The Wall Street Journal said editorially that the average had not then indicated that the bull market had culminated. They have not yet given any definite reason for qualifying that conclusion or even suggesting it, since the August decline, in the light of the subsequent recovery, may well be regarded as a secondary movement, that is, a sharp movement characteristic of a bull market. In the same editorial it was said that if the averages should make a line below the mid-year high and then break through downward, they would indicate the approach of a true bear market. What actually followed was a succession of sharp fluctuations in the industrial average, which went as low as 82.04 on August 20 and earlier in the month, succeeded by a rapid and continuous recovery to above 108 on September 3, ten points lower.

Around that level the industrial average made a fair line for two weeks, then rose sharply during the latter part of September, and was 108.26 on October 1. It has now passed a point above the July high.

The Wall Street Journal: June 7, 1920

DEVELOPMENTS OF THE WEEK

Last week's stock market was typically narrow, upon the whole tending to work better, after some pressure following the holiday at the beginning of the week. It is plain from the averages that there has been a secondary recovery, over a period of a fortnight or so, of rather more than 4 points in the industrials and less than 3 in the railroads, that is, in the second figure of last week, which carried the industrials 32 points below the culmination of the bull movement in November and the railroads some 15 points down. On well-tested theories of reading the market by the averages this looks like a secondary upward swing in a market the primary upward is downward and cannot be said to have culminated. On all experience the rally ought to carry further, as the Street is bare of stocks and competition has reported little of the active issues carried for customers.

The Wall Street Journal: June 21, 1920

A STUDY IN THE PRICE MOVEMENT

There seems a perennial interest in methods of reading the movement of the stock market, as represented in the average prices recorded at the close of the market daily for industrial and railroad stocks. A number of readers have written to inquire about the well-known system upon which the present tendency of the market was described in the weekly review of conditions published on a recent Monday, called "Developments of the Week." Dow's "theory" on the market movement, formulated nearly twenty years ago, has borne the test of experience, and although in fifteen years' record of the market movement to guide him, and we have more than twice that. But there is little to doubt that his sound and scientific rule is not advanced as a "martingale" or system for "breaking" the Wall Street bank.

Dow's theory was that the market had three movements, two of them, and sometimes three, simultaneous. The primary underlying movement disclosed a "bear" or a "bull" market, upward or downward as the case might be, over a period of seldom less than a year and sometimes much longer. The secondary movement was represented by a reaction in a bull market, relatively short and severe, or a recovery, equally abrupt, in a bear market. Experience shows that this movement may continue from three weeks to as many months before its force is spent and the main movement is resumed. The third movement, simultaneous with either or both of the others, is the daily fluctuation, which may this week be either small or large. The averages have run true to form, discounting even extraordinary events, and the war has been no exception. A glance at the averages will show that a primary bull market, interrupted by occasional secondary relapses, culminated last October. A bear market then set in and was interrupted by a characteristic secondary rally beginning in the latter part of May. There is no evidence at present either that the main downward movement will not be resumed before the broad course of the market radically changes, or that the secondary rally has run its course.
and the rest of them—which suffer. The people who have to meet the loans liquidate what can be sold at the price because they hold other things which cannot be sold at any price.

Is there a foundation for a bull market? On Dow’s theory there may be, because there may well be an excellent basis upon which a primary bull movement may set in. The present primary bear market developed in October, 1919, since the beginning of this year the averages of both the industrials and the railroad stocks have been making a line within a range of several points but relatively close compared to the extent of the decline. The speculative investor for a long pull will well ask himself if this does not indicate accumulation.

It will be noticed that the industrials marked the upper range of this line on February 16 at 77.14, then reacted nearly five points, and touched 77.75 again on March 13; while the railroad stocks, after a recovery to 77.56 on January 15, followed by a fall from there of more than eight points and a recovery of 2.56 points to March 16, are well within their line, but still six points away from what may be the upper limits. The typical secondary rallies in a primary bear market have been well marked. The old rule for reading the averages would hold good. If both of them established 78 the indication would be remarkably like the beginning of a primary bull market. The figure for the industrials alone might easily be deceptive.

The Wall Street Journal: May 10, 1921

THE PRICE MOVEMENT

In the financial page of The New York American there is an attempted study of the charted price movement from the average price of stocks over a period of years. The chart itself is adapted, and the figures were taken bodily without acknowledgment, from the well-known Dow-Jones averages, which have been the standard of comparison for much more than a century. Altruists who believe that ill-gotten gains do not prosper will hear with relief that the author of the Hearst article did not even understand the meaning of what he was appropriating.

The Wall Street Journal: June 16, 1921

A STUDY IN THE AVERAGES

For a period extending from the beginning of the year the stock market averages, both industrial and railroad, showed remarkable power of resistance when either of them approached the low limit of 78. It is noteworthy as substantiating the best theory of reading the average that the industrials broke through in December, making a new low of 67.78, without sufficient confirmation from the railroad averages; while the latter sold down to 67.95 in April without the necessary confirmation from the industrials. A bull point on the upswing of the line, 78, with a high of 80.05, was given by the industrials in May but was not confirmed by the railroads.

Both averages have now broken through the obit rate of resistance at 72. The indications would be more bearish if these had been new low figures in the primacies in the industrials which have now been running since October, 1919. The inference is sufficiently bearish, but it would certainly be more so if the industrials fell below the 70 limit of December and the railroads below that of April. It is correctly expressed by a modest but competent student of the averages, who says:

"Gratifying that it may be a small thing but to cling to, nevertheless I have frequently found that the sanity of previous lows was a consolation in a time like this. Say what we will, the industrial average is still three points higher than it was in December and January. I say the disheartening break in Northern Pacific, are still a point above this year's lows.

The consolation is not very exhilarating, but it is a whole lot better than none. Both averages have shown a distinct and obstinately held line, and by breaking through it have indicated that it was a line of distribution and not one of accumulation for the long deferred rally. Naturally there are not many of a new line of averages lows was a consolation in a time like this. Say what we will, the industrial average is still three points higher than it was in December and January. I say the disheartening break in Northern Pacific, are still a point above this year's lows.

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day is Congress. For all it cares the railroads may tether over the brink of bankruptcy, so far as ninety per cent. of them are concerned, in the next few months or even weeks. The necessity for revenue is desperate and Congress is fumbling away its time on plans to spend more money—a veritable arteriectomy on the taxpayer’s lifeblood, like the soldiers’ bonus and the $600,000 appropriation for the battleships which may be obsolete before they are launched.

This is no place to sum up the general view of the market, but clearly it cannot see its way and the averages are saying so. Their indication may not be as bearish as it seems, but they have long taken back any bull point they may have given.

The Wall Street Journal: June 28, 1921

INDICATIONS OF THE AVERAGES

After making a line of resistance above 72 the stock market averages broke through, giving a bearish indication which was thoroughly confirmed, for the industrials on June 20 had declined 7 points from the line and the railroads a bare half point less. The Sherman line not of accumulation, as seemed not impossible for a time, but of distribution. The Street was full of stocks. Saturation point was reached and precipitation followed almost automatically.

It is noteworthy, moreover, that in the decline the consolatory low points of December for industrials and April for the railroads were also canceled. New low figures for the main movement were established. The primary bear market which set in early in October, 1919, resumed its sway. After such a punishing break it is natural that traders should ask about indications, judged by experience of the past. To clear misunderstanding it should be said that there is no precedent which demands that the market should make another break to follow that of July. On Dow’s old theory the averages the secondary breaks in a primary bull market and the secondary rallies in a bear market are sudden and rapid, conspicuously so in the recovery after an acute panic break. The test is not at the bottom but in what the market does after a rally in a condition like the present where stocks could easily become sold out or over sold. Sentiment is always at its height at the bottom and professionals begin to “copper” public sentiment when the elevator boy talks of his “short position.”

A secondary rally in a bear market, as the averages for many years past showed with curious uniformity, is followed by the making of a line which thoroughly tests the public absorption power. On a serious break such as the market has just experienced there is always heavy buying in support, to protect weak accounts too large to be liquidated, and this stock is fed out on a recovery. It is largely offset by the covering of shorts and bargain buying, but if the absorption power is still lacking there is a further and slower decline, usually establishing new low points.

Speaking merely of probabilities and not of scientific deductions from the averages, a sharp secondary rally would be as likely a development as anything else at the present time. It is merely that the primary bear market is not over, although it has had a long lease of life. The rest is an open question, which way our money will take your choice, or where you even pay your money and get little choice.

The Wall Street Journal: August 25, 1921

A STUDY IN THE PRICE MOVEMENT

From letters received it would seem that readers who study the stock market averages for barometrical indications attach more importance to the weakness in the stock market now than it seems to deserve, although it has unquestionable significance. At Tuesday’s close the twenty active industrials broke the previous low of June 20, 1921. The low of the railroad stocks, recorded on the same date, and the low for the primary bear market which has been the governing feature of October, 1919, was 65.52, and it will be seen that the railroad average is still well above that figure.

It cannot be too often repeated that the two averages must confirm each other and provide the basis for any confident prediction. The railroads are still four points above the June low; and while the indication there is bearish they have some distance to fall before the indication would be positive. They have made a significant line in the recent past. For sixteen trading days the average price did not rise to 75, or fall to 70. On Tuesday it broke 71, giving a preliminary indication that distribution had been in progress, confirmed by Wednesday’s close at 69.87.

In all the applications of Dow’s theory of the price movement the best of all, as proved by experience, is this line of distribution which indicates accumulation. One of two things, as experience shows, must be happening when normal trading continues within such a range. If the railroad stocks break through the line it is evident that the market has taken all it can absorb at that level, and that a new level must be found before buyers can handle the oversupply pressing on the market. The cloud has reached saturation point and the natural consequence is a precipitation of stocks.

It is interesting, and not unilluminating, to hear that certain well-known houses are large lenders of stocks in the loan crowd. This would indicate a corresponding short interest. But it by no means follows that the people borrowing could not deliver the stock if they chose. Indeed, if they could not sell from the same sources it would be to their manifest advantage to create the impression of a vulnerable bear account. Experienced Wall Street is skeptical of such indications. It remembers how stock was taken out of New York by the ream in 1919 by the investment of war profits. It wants to know whether this stock is coming back. So far as the averages are concerned they are far from encouraging to the bull, but that is not yet jointly indicate a definite resumption of the main bear movement.

APPENDIX

The Wall Street Journal: September 21, 1921

A STUDY IN THE PRICE MOVEMENT

When the price movement was last discussed in this place, on August 25, with the applied text of the average prices of the active railroad and industrial stocks recorded from day to day, it was pointed out that however bearish a new low point in the industrials might look it had not been confirmed by the railroad stocks, which were then (and are still) making a significant line within narrow limits which experience has proved must necessarily protect either one of distribution or of accumulation.

On August 24 the industrials made a new low for the primary market operative since October-November, 1919, at 63.90. On the same day the railroads weakened their line of resistance, where in a succession of trading days sufficiently numerous for a test the price had not touched 74 or sold below 70. The figure of 69.87 then recorded was a caution and anything below 69 would have been a great alarm, but stocks not have recorded a new low for the main bear movement so far as the Rails are concerned, but it would have shown that the market was saturated with stocks.

No such confirmation was forthcoming, however, and the line was resumed with a rally above 70. Since that time, on September 18, considerable strength developed in the upper part of the line and the average closed at 74.99. This looked more bullish than the industrials had simultaneously rallied 8 points from the bottom to 71.92. Here again the bullish wave now was taken back and the line of distribution or accumulation was resumed. The railroad averages are still well within line that the industry is showing a parallel movement at a range between 69 and 72.

This is highly significant, and within the next few days an indication might well be given of a developed movement which would set a secondary trend of primary importance. It may be taken as a sound rule that we are in a bull market if in the fluctuations of the average the new high figures in both averages are even a little above those
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last recorded. Anything above 75.21 for the railroads would give such a bullish indication, especially as the industrials would reflect a like movement at 72 or over.

The reasoning is not at all abstruse nor is the conclusion far-fetched. It would be obvious that the floating supply in both industrial and railroad stocks had been absorbed, and that it had become necessary, therefore, to advance prices materially to attract new sellers. The bear market, which has now dominated for only a month short of two years, has shown an unusually long swing; and the change in market tendency, with new tops developing out of a line of accumulation would be radical.

It is beside the point to say that we are facing a hard winter. The stock market is meaningless if it does not look beyond such a contingency. It seems to be forecasting a solid foundation for better general business in the spring. It is a year to three years away.

The Wall Street Journal: October 4, 1921

A LOOK AHEAD

More than one correspondent has written to this paper to call attention to unsatisfactory conditions and to ask, therefore, why it should be said, in the studies of reasons, that there was a year to three years away from a primary bull market being set.

The Wall Street Journal: December 30, 1921

THE PRICE MOVEMENT

It was pointed out in this column on August 23 that the stock-market averages, which were then far from encouraging to the bull, did not indicate a resumption of the main bear movement of June 20, which had prevailed for months up to last June. On September 21 the inference was clearly drawn that the main swing of the market had changed, and that the stage was being set for a bull market in 1922. From August 24 the twenty industrials now show a net advance of nearly seventeen points. The price of the railroads has been much less, extending to barely seven points on November 22. The closing figure is now four points above the low of August 24, but more than eight points above that of last June, at the end of the primary bear market.

On all previous experience of the stock-market barometer as set forth, in the averages, we are in a major bull market which has seen, so far, two secondary reactions, neither of them of any great depth. In each case the market has become characteristically dull after the setback. On the well-tested rule of reading the averages, a major bull swing continues so long as the rally from a secondary reaction establishes new highs in both averages, not necessarily on the same day, or for the same week, but provided only that they confirm each other.

Confirmation of the resumption of the major bull market so clearly indicated in the secondary reaction established in its initial stages in this column would be had if the industrials advanced less than a point, from present figures, and the prices rather than the index. One of Wall Street’s old maxims was, “Never sell a dull market.” Railways in a bear market are shown too nervous, and actually put out their shorts again when the market becomes dull after a recovery. Exactly the converse is true in a bull market. The stock market is not given up as such, but the market becomes dull following a reaction.

As a standing rule, it may be taken that the stock market is always many months ahead of business conditions and is moved by the sum of everybody’s real knowledge. Nothing is more childish than the use of such an epithet as “manipulation” to describe the market movements, especially when they run counter to popular fancy. Every movement has a logical reason. But the superficial financial newspaper reporter, too lazy to get at the facts, writes down “manipulation” as the simplest explanation, which would prevail in the market, in the event of personal knowledge of news gathering in Wall Street, should regard that reason for a stock-market movement with the gravest suspicion. It usually means that the reporter is shirking his work.

There is no reason to take back anything in previous forecasts published in this place. We are in a primary bull market tending to become dull on reactions, but slowly gathering strength for a more impressive advance.

The Wall Street Journal: February 11, 1922

THE PRICE MOVEMENT

Students of the stock market movement as recorded by the average closing price of twenty industrial and twenty railroad stocks, taken for comparison in the Dow, Jones news service, ask for some discussion of the market, on Dow’s well-known theory of reading it. He showed clearly enough that there were three simultaneous movements—the major swing, lasting from a year to three years; the secondary reaction or rally in a bull or bear market, with a duration of a few days to a month or more; and the daily fluctuation. The market seems easy to read at present but people still write, presumably to have their opinions confirmed.

At present the major swing of the market is upwards. The law of the preceding bear movement, which had lasted a year and ten months, may be said to have ended last June, though there was a subsequent new low for the industrials alone in August. This did not have the necessary confirmation of the other averages, but it makes no difference if the turn in the market is calculated from last August. It was pointed out in these columns as early as last October that “the stage” was “being set for a bull market,” and the subsequent movement has amply confirmed that inference.

Since the railroad low figure of June 29, 1921, the railroad stocks had recorded up to February 9 an advance of 11.30 points, at 76.81. From the low figure of August 24, the industrials on February 6 had recorded an advance of 19.80 points, at 83.70. This is an entirely consistent rise, with small but characteristic secondary reactions of a very few points, followed
THE DOW

THEORY

The Wall Street Journal: April 6, 1922

THE PRICE MOVEMENT

Second rate newspaper writers are fond of saying that "the New York newspapers scratch their editorial pages now." It may be true in their experience, at that. It depends on the editorial. But there seems to be an unfailing appetite for discussion of the stock market price movement in this column, even where fulfilled forecast seems to have made such discussion unnecessary. A newspaper should have something more useful to say than "I told you so." But students of the price movement, as shown in the averages, demand discussion of the stock market. They ask if the bull movement has run its course. During last September and October, the present bull movement was recognized in these studies, when the people who could see no top in 1919 could see no bottom to a market which had been declining for more than a full year. The previous study of the price movement was published here on Feb. 11. The last paragraph said, in response to inquiries of students of the price movement and others: "The answer to these inquiries, therefore, is that we are still in a bull market and that it should run much further, possibly well into 1923, and certainly for a time well beyond the improvement in general business which it forecasts."

The Wall Street Journal: February 28, 1922

Having discounted all the depressing possibilities in business, the market since last August, has shown that it sees the end of them and the return of better times. These are already indicated in several directions and the market is saying today that there will be a general recognition of better business in the coming spring and summer. Never did the stock market barometer more accurately vindicate its usefulness. On the average closing price there has already been an advance of about twenty points in the industrials and fifteen points in the railroads.

sharp reaction, although it is doubtful if the present bulls, who are merely short-cut bulls, would not be still more bearish on an average five-point decline and thereby miss their market once more. The market would not suffer a five-point decline and would attract general attention in the next few weeks. Unless experience teaches nothing the business improvement and the stock market will run until the latter is based no longer upon facts but upon prospects. Those who apparently would feel happier if they were quite certain that nobody was making any money, in the stock market or out of it, it may be said that the market will ultimately turn when general business is still good, but not far from a turn. But these same people would be just as bullish then as they are bearish now.

The Wall Street Journal: May 8, 1922

A STUDY IN THE PRICE MOVEMENT

Many years' experience in the stock market, tested by Charles H. Dow's theory of its movement, has taught students the significance of a "line" in the averages. To be of real value the requirements are strict. When the industrial and railroad averages should confirm each other. The period taken should be long enough to afford a real test, reliable as a rule of trading. The fluctuations from day to day should be so narrow that they can be confined within a range of less than four points. Given these conditions an important deduction may be drawn.

In the stock market there has been a development of this kind, of both present and ultimate significance. From April 7, for twenty-four completed trading days, to May 5, inclusive, the twenty active railroad stocks have not sold below 98. This is a remarkably close line particularly as the only time when the average went up to 98 was on April 25, closing at 96.40. During the same period, or from April 10, for twenty-two days to May 5, inclusive, the twenty industrial trials did not sell below 91 or touch 94. This is a period long enough to satisfy the requirements of both cases. Such a line indicates either accumulation or distribution.

The strength of this "line," a student of the averages, wrote to the Boston News Bureau, takes a bearish view. He says that the "pools" and "insiders" seem to have been unloading on the public. This may be the case, but the conclusion does not follow from this premise. The market in both averages is nearing a bull point than a bear point. It, indeed, the twenty industrials sold at 94 or over, with a closely previous or subsequent confirmation by the railroads at 86, it would be good evidence that accumulation had exhausted the floating supply of stocks. A vigorous resumption of the bull movement would be as nearly certain as human probabilities admit.

If, on the other hand, the railroad stocks, with a decline more considerable than present figures than this supposed advance, would be further. The industrials gave a nearly simultaneous bear point under 91, further reaction would certainly be anticipated. The inference would be that the market had reached saturation point and that at least a secondary swing would be in order. This would not indicate the end of the bull market, and such a recovery of the averages to 94 and 86 respectively would be strongly bullish. Of one thing our Boston friend may be sure. This is that the market is higher than all the "pools" and "insiders" put together.

But the line is a most interesting one. There has not been one like it since the autumn of last year, before the present major bull swing set in.

The Wall Street Journal: May 22, 1922

A STUDY IN THE PRICE MOVEMENT

On Friday the stock market averages each confirmed the other's bull point on the same day. This followed one of the most interesting even remarkable "lines" ever made in the record of the price movement. Regarding the stock market as a barometer it is, and using, after a quarter of a century's test, the aver-
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ages in connection with Dow's theory of the market movement, some important indication of general business may be drawn from the price movement as it stands today.

For thirty-four consecutive trading days of the forty-two rail-
road stocks in the average fluctuated within a range of barely three points. They sold on one occasion as high as 82.08, the only day when they crossed 82, and they never touched 88. On Friday the average emerged on the upper side of the line to 85.28, a new high for the year. Concurrently, and for thirty-
two consecutive trading days, the twenty industrials had not been below 91 or touched 94. On Friday they also burst through the upper limit of the line, closing at 94.00, confirming the new high for the year shown by the railroads.

There is only one interpretation to be placed on a line like this, on all experience of the averages. If the break had been below the line the correction had been that the market had reached saturation point and that speculation must follow, or, in other words, that there would be a new trend for a time until a more stable and attractive level had been reached. But the advance above the line is equally authoritative. It shows that the equilibrium maintained for more than a month represented a period of accumulation, and that the market is now bare of stocks. The inference is a resumption of the primary bull movement which set in last au-
tumn, calculated to carry prices up to a figure again attractive to profit takers, or where the market stands at 94.00, the result will have been more become overbought, as it pro-
bably was in the early part of April.

In one of these discussions published May 8, attempted bear prediction on the theory of the supposed distribution by "pools" and "syndicates" was de-
preciated. As a matter of fact, when a line is in process of formation it is the hardest thing in the world to tell either the nature of the selling or that of the buying. Both accumulation and distrib-
ution are in progress, and no one can say which will ultimately exercise the greatest pressure. If it be permitted to criticize, it is submitted that stock market "pools," a number of which is always exaggerated—do not usually do their selling with a brass band.

It is clear from the averages that the stock market has resumed the major bull swing. Unless the present bull market is shorter than any of which we have observed, this may carry into the last quarter of the year, or possibly well into 1923. One thing which would be calculated to check it would be a serious return to dear money—not a mere temporary furrty, like that sometimes brought about by crop moving requirements. The tendency of money is rather the other way. It may be respectively com-
mitted also even to the Comptroller of the Currency himself, that the market for money is an international affair and that its fundamental condition is not dictated by the Bank of England or the Federal Reserve Board.

There is no present or proximate danger of industry suffering from a diversion of capital to speculation in stocks. The speculation in stocks itself creates exactly the confidence which lends itself to business. This is really only another way of saying that the stock market is a barometer, acting not upon the news of the day, but of course in a very much more complex way. Combined intelligence of the business world can anticipate. It is the prediction of better general business in sight that is positive and trustworthy.

The Wall Street Journal: July 8, 1922

In the studies of the price movement, based upon Dow's theory, so success-
fully applied in The Wall Street Journal for the past twenty years or more, it has been repeatedly found that the two averages of twenty rail-
road stocks and twenty industrials must confirm each other to give an authoritative prediction. The railroads on July 6 gave a strong bull point, but it should be noted that an advance in the railroad averages of nearly two and a half points would be necessary to confirm it.

Although the nature of the secondary decline in a primary bull market has been explained here time and again, and forms an illuminating part of the recently published "Stock Market Barometer," it still fails to make itself clearly understood and is frequently confused with a return to a primary bear market. With inconsiderable reac-
cept the price of the industrial stocks advanced from 83.90, August 24, 1921 to 96.41 on May 29 of this year. The simultaneous movement of the roads on the same date, May 29, 1921, to 86.83 recorded, like the last high of the industrials, on May 29, 1922.

A following the May high points, which were made after an interesting line of accumulation extending over a month, there was a typical, and there-
fore probable, secondary reaction. It carried the industrials down to 90.75, or a little short of six points, by June 12, 1922, while the railroads on the same date had made a low for the reaction of 81.81, a recession of five points. Since then there has been the character-
istic slow recovery of such a move-
ment. The railroads may, therefore, be said to have partly established the fact of a resumption of the major bull movement by making a new high for the year.

Secondary reactions result from technical conditions (like overbuying) and also from events which the market cannot have foreseen. May 29, 1921, would be a good example. Many of the movements in the market precede and pre-
dict broad general changes in the business of the country. The secondary reaction in a bull market rally in which the major bear market, may be loosely called the stock market barometer's method of adjusting itself. Experience has proved time and time again that such movements are drawn from a single group of stocks are easily de-
ceptive, but become of the highest predi-
ction value when the two averages confirm each other with equal strength. The industrials stocks sold at 94.62 or better, it would be a positive indication, so far as the secondary goes, that the bull market is back. This is the latter part of the primary trend was again in full swing and well calculated to advance much further. With the provision it may be said that the industry indicates are distinctly bullish. The present bull market, which is the low of the in-
dustrials in August, 1921, has not lasted a year, and therefore the six bull markets in the past quarter of a century has been twenty-five months. The shortest has been twenty-one months and the longest three years and three months. There is no good reason to

APPENDIX

The Wall Street Journal: July 22, 1922

THE PRICE INDEX

Expert readers of the stock market barometer see in it no evidence of a change in the move toward improvement. The price index also shows a healthy growth in business. It does not indicate anything like a boom, but instead a steady growth in improvement and not notwithstanding the industrial disturb-
ances.

More than two years ago, or about May, 1920, price deflation began in earnest. By June of the following year the general index of wholesale commodi-
ties, according to the Bureau of Labor, had fallen from its high point of 272 to 148. The greater part of this was at the expense of a few groups which bare the brunt the deflation, and business suf-
fered because of the greatest inequality. But for months those groups have been approaching a common level. Some are one of them, yet there are being slowly adjusted, and now, after a year of fluctuation within a range of four points, the index for all commodities in June (settled at 150), which is exactly the middle point between the two extremes since the first of June, 1921. A reason-
able price stability is the conclusion. The general index now ranges around 50% above the pre-war level. The stead-
iness with which it has held to within two points above or below that level June (settled at 150) is a pre-war price is not to be thought of in the immediate future. Trade has been good, car loadings when the index was made were at the peak for the year, building active and a growing scarcity of all kinds of labor has been manifest. Even now optimism dominates the mar-
ets notwithstanding the industrial strikes, and this feeling is strengthened by a belief in foreign improvement.

There is concrete evidence of such an improvement abroad, and this means much in our price index. It means a market for all our surplus productions, especially farm products, foods and cotton. This group suffered the most seriously of any in the deflation process.
THE DOW THEORY

In consequence the purchasing power of a large percentage of the population was greatly reduced and in some instances destroyed. That group is slowly improving, with a June index at 131, compared with 114 the year before.

With the exception of cotton, farm production this year will be, not of record proportions, but large, and raised at comparatively low cost. The assurance of a good foreign market for the surplus is a strong argument in favor of good business and maintenance of price stability.

BARRON'S: July 24, 1922

THE PRICE MOVEMENT

On July 18 the action of the industrial averages in rising to 96.53 as against their previous high record of 96.41 established May 29 gave final confirmation to the correctness of the frequently expressed opinion that the action of the market for the past six weeks has been simply a normal and typical secondary reaction in the market.

The railroad averages had significantly pointed the way by registering a new high on July 6. A fortnight ago, it was declared that the average had rally run on the railroad reaction that had been under way since August.

"If the 20 industrial stocks sold at 96.42 or better, it would be a positive indication, so far as all experience goes, that the bull market which set in the latter part of last year was again in full swing and well calculated to advance much further.

In the discussions of the price movement based on Dow's theory of the averages that have appeared from time to time, it has been repeatedly noted that inferences drawn from the action of either one of the averages, while often significant, may easily be deceptive, but that the inferences become of the highest prediction value when the two averages confirm each other.

So it was that two weeks ago when the railroad averages alone had just gone through the bull point, it was possible to say that this was a strongly bullish indication which, if followed up, as it now has been, by a similar action on the part of the industrial averages, would amount to a positive indication of the continuance of the upward trend.

The average that in spite of strikes and European unsettlements, the stock market found securities cheap on the June reaction and discounting all the well-known adverse factors now sees better business ahead.

The Wall Street Journal: August 1, 1922

A STUDY IN THE PRICE MOVEMENT

Whatever uncertainties may be created in the public mind by labor conditions and the shortage of coal, there is no question that the stock market has given and confirmed a highly consistent bull point. After a typical secondary reaction both the industrial and railroad averages have now recovered to figures above the points from which the reaction was made. On all experience this indicates a resumption of the major bull swing which has now been in operation since August of last year.

In the secondary reaction the industrials declined nearly six points and the railroads reacted a trifle more than five points. Action at the bottoms of these columns the railroads had recovered all their loss and made a new high in the major movement. This was, however, not at that time confirmed by the industrials although they were then well on the road to confirming the other average. It was said in that editorial of July 9 that:

"If the 20 industrial stocks sold at 96.42 or better it would be a positive indication, so far as all experience goes, that the bull market which set in in the latter part of last year was again in full swing and well calculated to advance much further."

On July 18 the industrials confirmed the railroads at 96.53. It is true that there was a subsequent reaction in them of less than two points, but this is of small moment and does not, on any previous experience, take back the bull point. The action of the market in the past few days, so far as both averages are concerned, are conforming to the bullish inference. The market has run true to form in a way to convince any student of the price movement that the bear influences that had been discounted in the typical secondary reaction and that the major bull market is again in full swing.

Broadly, it may be said that the stock market automatically discounts everything it can foresee. It is saying as clearly as print can record it that the strike situation is reaching a settlement, that the damage to industry has been estimated and fully discounted and that a counterbalancing recovery in business is nearing fruition. Secondary reactions are largely influenced by the element of surprise, but news once known is news discounted, so far as the stock market is concerned. Its business is to look ahead. It is not recording what business is now but what business will be in a future coming year.

There is no pretense here to offer opinions on individual stocks. Active floor traders may still make occasional profits on reactions. But so long as the general market is concerned, the trader without that advantage seems certain to lose money on the short side.

BARRON'S: August 21, 1922

AN AUTHORITATIVE STOCK MARKET

Following its policy of more than twenty years, The Wall Street Journal, which has cooperated in the study of the price movement as shown by the average of stock prices from day to day, refrains from discussing the market when such a policy is not justified.

"I told you so." On August 1 it pointed out that the industrial average had given an explicit bull point on the general market in confirming that previously disclosed by the railroad average. In spite of a downward fluctuation of over a point and a half in the railroads the bull movement since that date has been consistent, and the remarkable strength in the market in the face of obvious bear factors is worth more than passing comment. The key to its action was clearly set forth in the series of articles in BARRON'S on Dow's theory of the price movement, now published as "The Stock Market Barometer," in which Mr. Hamilton pointed out and reiterated from the example of past years that the market is never deeply influenced by passing events unless they are absolutely unexpected and, therefore, in calculable.

This is to say that holders of railroad stocks did not sell in some cases where the railroad strike developments aroused distrust. This was probably the case in the downward fluctuation in the beginning of last week. But the much more important fact is that there were buyers ready to absorb the stock thus sold. The conclusion of "The Stock Market Barometer" holds good. Eliminating individual stocks that are not necessarily correct inasmuch as only occasionally active for special reasons, the stock market moves not on considerations patent to everybody today—the railroad strike, the coal shortage, the complications in Europe the bewildered muddling of Congress, even the Congressional election in November—but upon what the combined intelligence and information of the whole country can see of conditions many months ahead. With the coal strike settled, production will rapidly catch up and the big crops must tell, even if such superficial bull arguments were not open to the same criticism as the bear arguments so frequently advanced during the course of a primary bull market.

But the stock market today is consistently and firmly justifying the unerring position as a barometer of trade. Its interpreters might well say that the bear arguments were, as usual, discounted in the secondary reaction of six points in industrials and nearly eight points in the railroads, between June 12 and August 7, while the fundamental conditions that make the price trend continue to rule. And with all its combined foresight it may be said that the market does not foresee the end of that great movement.

The Wall Street Journal: September 19, 1922

A STUDY IN THE PRICE MOVEMENT

Past experience has shown that the method of reading the stock market averages embodied in Dow's theory of the price movement, recently set forth in "The Stock Market Barometer" and used in these columns for twenty years or more, has attained a high degree of dependability and usefulness. The market barometer does not pretend to do the impossible. It forecasts, defines and confirms the major swings, like the bull market which has been in operation since August, 1921. It does not pretend to
forecast the secondary reactions any more than it clearly foretells the corresponding rallies in a major bear market.

This is because the secondary reaction as distinguished from the major movement, is governed by the unexpected. The most important secondary reaction of which we have record, that in 1906, was mainly due to the San Francisco earthquake and fire. The most marked secondary reaction in the present bull market, that from May 29 to June 12, with a decline of nearly 6 points in the industrials and a little over 5 in the railroad, was caused by unexpected complications in the industrial and railroad labor situations. It will be noticed that the market was far ahead of events, as it always is where it can foresee them, because the rally was well established and the main advance well under way again before even the coal strike was settled.

On September 11 the industrials sold at 102.05 and the railroads at $83.99, since which time there has been a decline of 4 points in the former and 2.38 in the latter. There has also arisen, in the Near East, an uncertain factor, the efforts of which may or may not be far-reaching. For the present at least, a international banker has informed us that the Turks may do, and the possible action of the Russian Soviets is beyond the reach of all conjecture. These two elements may combine, and the result may well be disturbing in fanning anew the smouldering flames of war. It is strictly in character with the market's action that it should produce a secondary reaction, in Dow's theory of the market movement, but experience shows that they may occur for radically different reasons. The rally in a bear market is seldom or never dictated by external circumstances. It is almost invariably based upon an over-sold condition marking the bottom of the market, its power evidenced by the courage of the most intelligent class of speculative investor, which grows (as it should grow) when the line of values is obviously below the line of prices.

But a secondary movement otherwise parallel, the reaction in a bull market like that at present operative in the Stock Exchange has almost invariably other things to consider than the mere circumstances of a top-heavy bull account. Such an account is of course a contributory cause, and its strength is tested by the occurrence of the unexpected—something which the combined intelligence of the market, having access to every source of information, could not foresee. It was remarked in Mr. Hamilton's book, and the analysis of the movement as a whole of one of his chapters when "The Stock Market Barometer" was published seri-

ally in these columns, that the San Francisco earthquake, coming on top of an over-valued bull account, was responsible for a secondary reaction in a bull market so serious that it almost amounted to a major swing.

Of course the uncertainty was apparent in the previous secondary reaction of the present bull market, that which set in at the end of May and culminated in the middle of June. Unexpected complications arose in the labor situation, and a market which practically never goes down on a strike itself developed an unusualness on these complications which was reflected in the average prices. This decline has been far more than recovered on September 11 when settlement again developed, becoming active, and almost menacing, on the war news from the Near East. This, at the close on September 11, had developed a recession of 3.68 points in the industrials and 2.63 points in the railroads, or a well-defined secondary reaction which might well carry further.

There is a barometer reading to indicate how far a secondary rally may carry, but it clearly shows that the bull market is not over. The resumption of the primary movement will be shown when the averages pass the figures of September 11, 102.05 for the industrials and 83.99 for the railroads. It can not be too often repeated that the stock market, while adjusting itself to the unexpected, as in the secondary reactions, is based not upon surrounding conditions alone but upon what may be expected as far ahead as the combined intelligence of the market can see. The present bull market has been in operation a little over a year, and the shortest bull market in a quarter of a century lasted for a year and eight months. It was not particularly strenuous, and above all it had not the present market's basis of an almost unlimited access to cheap money, even now despite seasonal crop-moving requirements.

**APPENDIX**

**BARRON'S:** September 25, 1922

**THE PRICE MOVEMENT**

There is an aspect of the secondary movement of the stock market which might well be discussed more fully in the next edition of Mr. Hamilton's otherwise exhaustive analysis of the market movement, "The Stock Market Barometer." This may be a fundamental difference between the reaction in a bull market and the rally in a bear market. Each of these movements is secondary to the primary swing. In Dow's theory of the market movement, but experience shows that they may occur for radically different reasons. The rally in a bear market is seldom or never dictated by external circumstances. It is almost invariably based upon an over-sold condition marking the bottom of the market, its power evidenced by the courage of the most intelligent class of speculative investor, which grows (as it should grow) when the line of values is obviously below the line of prices.

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**The Wall Street Journal:** October 18, 1922

**A STUDY IN THE PRICE MOVEMENT**

Any prophet may well feel nervous when his prediction comes off. It will be assumed that he knows what will happen next, and that is where prophets usually fall down. It may be said, therefore, that the study of the price movement of stocks depends upon a sufficient number of them to eliminate any possibility of manipulation, is not prophecy but deduction from reasoned premises. The most important thing to know which the stock market barometer is actually has been repeatedly set forth here. The stock market today, after a typical secondary reaction, is pointing nearly to the resumption of the major upward movement which developed in August, 1921.

To those not familiar with Dow's theory of the market movement it may be said that the closest analysis of the fluctuations day by day, year in and year out, over much more than a quarter of a century, shows well twenty primary and secondary movements giving meaning to the third or daily fluctuation of the average prices. A primary bull market has typical secondary reactions, exactly as a primary bear market is checked and steadied by rallies. The present bull market showed, last June, a reaction both in the averages and other the necessary confirmation, of from 5 to 6 points. When that reaction was reversed the major bull market was resumed.

This was again interrupted, strictly according to precedent, by a secondary reaction from the high of September 11, 1922, of 5.76 points in the industrials and of 4.39 points in the railroads. So far as the industrials are concerned, more than this decline had been recovered on October 14. At the time of writing the twenty railroad stocks are a fraction of less than half a point below the last high of September 11. On all previous experience the railroad roads would give the strongest possible bull point if the average rallied still further to 94 or better, thus confirming the tentative bull point given by the industrials on October 14.

It is unvarying experience that the two averages must confirm each other. The industrials may even drop from the price of 103.43 of October 14, but if the railroads advance to 94 the bull point on the market will still be valid. There has never been a major market movement among all those analyzed in Mr. Hamilton's now well-known and authoritative work on "The Stock Market Barometer" which shows how
The Wall Street Journal, for twenty years or more, has been able to forecast the broad stock market movement with astonishing fidelity.

There is no empiricism, to say nothing of quackery, about the method. The method means that Dow should be consistent to the point of chaos if it did not predict, some distance ahead, the course of the country's business. It is predicting not a consistent improvement lasting well into 1923, and it need hardly be said that Dow's theory is the simple but expert method of reading the barometer.

The Wall Street Journal: November 3, 1922

A STUDY IN THE PRICE MOVEMENT

A Boston student of the stock market price movement, as recorded in these columns by the averages of twenty industrial stocks for considerably over a quarter of a century, recently pointed out the nature of the present secondary decline. He finds its true parallel in at least three of the seven bull markets analyzed by W. P. Hamilton in Copper stocks and the Stock Market Barometer. In each of these cases there was a moderate secondary reaction in a clearly defined major bull movement which was more than recovered, and later a more serious secondary reaction, more irregular, as represented pictorially on the chart, but also more than recovered before the primary bull market terminated. These movements can be seen in the bull markets of 1919, 1916 and 1906.

A number of students demand from the stock market barometer, which means the price movement read on Dow's theory of the triple market movement, a degree of mathematical and even pictorial accuracy which it neither possesses nor needs. Some of these have asked if the averages, which on Oct. 31 stood below the September 30 previous low point of the present secondary reaction, did not thereby indicate the termination of the major bull swing. The present Dow's theory of the price movement has been used by The Wall Street Journal, and is used today in these columns, logically and successfully to predict the course of the stock market, which in turn forecasts the course of business. These distinguished British economists found that the only effective way to ascertain with any certainty what to them might seem a local set of facts to the principle involved, first clearly set forth in Mr. Hamilton's book. As the barometer says, the analysis of the stock market from the daily prices of one or more groups of stocks could be used as easily and as profitably in London as it is here, because the theory is sound of any great market.

Barbon's: January 8, 1923

"A PROPHET NOT WITHOUT HONOR"

It is not true that, as a people, we are slow to recognize merit at home, although it is true that few of our own citizens in the United States have received as much recognition in the foreign market as have been given to others who have been less deserving.

The Wall Street Journal: January 16, 1923

A STUDY IN THE PRICE MOVEMENT

There is no reason to take back the opinion strongly expressed in this column that the stock market, as reflected by the averages of twenty industrial and twenty railroad stocks, is at present in an extended but by no means unprecedented secondary reaction in a bull market. The primary upward swing which set in for the industrials in August, 1921, from a low of 63.90 and in the railroads as early as June of that year with a low of 65.52, carried to 103.43 for the industrials in October last year and 93.99 for the railroads in the previous September. From those points the secondary reaction set in with a low of 92.03 for the industrials and 82.17 for the railroads, both made on November 27, 1922. At the beginning of the present month there had been a rally of over seven points in the industrials and about four points in the railroads. What is particularly interesting, instructive and helpful about the study of the price movement on Dow's well-known theory, is the illuminating minor and underlying influence of the present condition on the money market. At present this is beginning to make a most significant showing. A line may be said to have been started in the industrial stocks in the second week of last De-
A STUDY IN THE PRICE MOVEMENT

On a volume of trading of less than a hundred thousand shares the average price of twenty active railroad stocks on Monday declined 1 1/2 points, giving something of an independent (and, therefore, untrustworthy) bear point on the theory of a line of distribution. What is important to note in the present is that the averages have only confirmed each other in a deceptive way. The last consistent indication was when the industrials thirty-three bull points 97 and confirmed it by an advance to 105, with a practically simultaneous bull point in the railroads at 97, confirmed at the same time by an advance above 90.

Since that time a new period of distribution or accumulation has set in, but by no means a definite or clear-cut type. Fluctuations in the industrials between 105, 39 and 101.51 and those in the railroads between 90, 63, on March 3, and 85, 84 on April 2, were wider than the three-point range of a line, and have not the same clear-cut inference of the early advance. That advance would have shown a resumption of the major bull market, which has now run for about a year and a half, if the railroad average had followed the industrial academic new high. But it failed to do so, and the only inference that can be drawn from the averages at present is that we are in another secondary reaction in a major bull market.

On previous experience it seems unlikely to be a prolonged or extended reaction. Like all secondary movements, it is influenced partly by the unexpected and partly by technical conditions, which include some temperamental critiques of the market who will apparently be bitterly disappointed if the country does not go to smash in the near future. It has been pointed out in this column before that inflation talk has been timely upon the reaction in these columns and in Mr. Hamilton's book, should reassure the student of the market movement.

As it stands the position is highly interesting, with some unquestionably hopeful elements.

The Wall Street Journal: April 4, 1923

WHY NOT LEAVE IT ALONE?

It has been demonstrated to the satisfaction of everybody not obsessed with what the French call the idee fixe, the irresistible idea, that the fears of stock market inflation are to put it mildly, premature. In spite of the fact that ill-considered taxation drives floating capital out of the market, bankers are eager lenders of money and borrowers are indifferent. Retailers are buying from hand to mouth and production is limited by labor scarcity. In the meanwhile the stock market, which is just as sound a prophet when it is silent as when it is talkative, indicates steady business as far ahead as it can see.

Look at the figures of that barometer and remember that the market is always right, even though we cannot understand it at the time, for the reason that no power, not the U.S. Treasury and the Federal Reserve System combined could usefully manipulate forty active stocks or deflect their record to any but a negligible extent. During the past year there has been an extreme range of quotations in the industrials. They were above 96 in the middle of January, on the average of twenty active stocks, and below 101 in the middle of March on the average of thirty-six.

In the same period, and at almost exact the same dates, the railroads were above 84 in the middle of January, below 91 in the middle of March and now...
A STUDY IN THE PRICE MOVEMENT

There is nothing at present to show that the stock market averages indicate that the present movement, which developed from August, 1921, has spent its force. There has been a long, but by no means unprecedented secondary reaction in one of the lowest bull markets recorded, and it is to be remarked here that speed has a good deal to do with the question. Major bull and bear movements vary in length, but when they are violent they are usually relatively short, as past experience shows. The present secondary reaction has been long and slow and is in neither respect unprecedented. There was a like secondary reaction in 1906, but what is there taken as the top of a long bull movement came at the end of that year, conspicuously in the case of the railroads.

Probably what has given rise to a number of later-born students of the averages is that the present secondary reaction in a way seems to have repeated itself. On May 21 both averages, after having reached the old high point, gave an indication of breaking through the last high point of November 27, 1922, when the industrials touched 92.03 and the averages 82.17. Only one of the averages, in this case that of the twenty active railroads, went through the November low and a bear point by one point. The other has constantly proved misleading. In this case the inference was additionally doubtful from the fact that when the low point of the railroads was reached it was because the Louisville & Nashville stock dividend accounted for a loss in the railroad average of 2.68. Without this the figure would have been above the November low.

This is to say that stock dividends or other large distributions affecting price values should not be summarily deducted, for the average would become meaningless unless it were established on a basis firm enough to meet any blow that might come. Similarly, if Louisville & Nashville distributes something of value, that something is no longer in the price of the stock or in the averages. It has been intelligently proposed that some equation should be devised to allow for extraordinary, and occasionally deceptive, influences such as this. The matter is extremely complicated and, for the present, at least, is of somewhat academic interest.

As the averages stand now, the railroads are quite a bit below the November low and the industrials nearly four points better than that figure. To indicate definitely a resumption of the major bull movement, the latter would need to sell above the price of 103.43, the high of October 14, 1922, rather than 108.38, the high point of last March, unconfirmed by bear movements in the railroad average. The railroads would need to cross 93.99, the high of September 11, 1922, and would at present prices have rather more than ten points to travel. Both movements are well within the scope of a market which seems to have been slowly gathering strength in the face of heavy realizing of a character seldom or never encountered at the top of a major bull movement.

It has often been said in this place, and is much debated among students, that work on "The Stock Market Barometer," that the task of calling the exact top to a major movement is beyond the scope of any of the technical methods. In a difficult where there has been no inflated speculation. If the present bull movement terminates without such a development, it will be the first time in the history of the averages.

BARRON'S: June 25, 1923

THREE STAGES OF A BULL MARKET

There is a substantial reason for a comment in Hamilton's "Stock Market Barometer" of which the present stock market is an excellent illustration. That accepted authority on the price movement frankly said that he did not attach great importance to "double tops" or "double bottoms." It had not been his experience, in the close analysis of the stock market movement for twenty-five years, that mere mathematical data, unsupported by psychological considerations, formed the basis of such conclusions. As, for instance, the deduction from the railroad averages of the Louisville & Nashville stock dividend, could or ought to be authoritative. It may be pointed out that the stock market as set forth by the averages offers no method of forecast which appeals to a higher level of reasoning. If the market shows a recovery, it may be that the increase in prices is due to the peculiar circumstances of the moment, and not to any fundamental change in the condition of business.
BARRON'S: July 2, 1923

IN DEFENSE OF THE AVERAGES

In its Sunday edition of June 24 The Boston Herald indulges in a shallow criticism of the Dow Jones averages. This has been used for so many years by The Wall Street Journal and BARRON'S. Its obvious point of attack is the twenty active industrial stocks and its complaint is that these are of a higher quality than some which have been more active in the market. It claims that there are ten of this conservative sort in the averages and if more of the comets of a season were included, a wider fluctuation in the averages would be shown and, presumably, some of the critic's bearish views would be more adequately confirmed.

The point is not well taken. The twenty active industrial stocks average something else besides price. Obviously, as the years go on, they average quality. When one of them, through character and performance, becomes a completely investment security and automatically retires from the speculative market, a more active stock is substituted. Therefore, the stated objection to which this critic refers is made by stocks of the character of Stutz Motor, which, so far as the average is concerned, are mere numbers and not dependable and measurable stars.

So long as the twenty stocks are really active, every requirement of the average is fulfilled. If the market, the average market, and not its violent extremes, and this is exactly what the average is intended to do. Frequently, of course, particularly those of new and feverishly active issues used in substitution for stocks with a steady market, would throw the whole average out of kilter.

In matters much more serious we have too many citizens like our critic who must be forever tinkering with a competent machine. Our politicians are fond of pulling up their carrots to see how they are growing. The stability of the stocks in the Dow-Jones average is itself a reflection of the wisdom with which they were chosen and a guarantee of the sound construction of the barometer of which they form a part.

BARRON'S: July 30, 1923

SOME BAROMETER READERS

If one point was more completely and constantly stressed than another in a series of articles in BARRON'S the article published during the latter part of 1921 on "The Stock Market Barometer," it was that Dow's theory of the price movement was not a system of beating the stock market or in any way a guide to speculators in individual stocks. The desire to get something for nothing, however, had such a hold on men that in an average as remote as this seemed the first exponent of Dow's theory of the price movement, were bombarded with letters from speculators during the recent decline in the stock market. They would generously be called investors here, on the slightest evidence, but for the fact that the moment the market turned and showed strength on the upward side the flow of critical, and even abusive, correspondence immediately ceased. The Dow theory of the market as a barometer was not very slow to be drawn from this phenomenon. It is that the overwhelming majority of speculators are, or would like to be, on the bull side. Mr. Huntington would not forever have patience felt before in a major bull market. This influence undoubtedly is the cumulative effect of the income surplus. Before the market had steadied the dividend paying common stocks, representing thirty out of the forty taken in the two averages, have been sold by large holders for the effect of bad taxes, because at the time it was written such taxes were regarded as merely temporary and likely to be reversed if the serious emergency measures which had survived the Great War.

BARRON'S: October 15, 1923

A LINE IN THE AVERAGES

Premising that the pressure of selling of dividend yielding railroad and industrial stocks, in order to exchange into tax-exempt bonds, may well have impaired the barometrical value of the Dow-Jones averages, it is still interesting to note that a line of accumulation or distribution has for some time past been in process of formation, particularly in the railroad average, and may have considerable bearing on the future course of the market, according to the way it is translated.

For sixty trading days past, or since August 4, the average price of twenty active railroad stocks has not been below 105.50, the upper limit established for twenty days, and in no case has the attempt to do both things leads to inextricable confusion.

APPENDIX

The Wall Street Journal: August 29, 1923

A NEW FACTOR IN THE AVERAGES

A noticeably large number of letters has been received from readers of The Wall Street Journal asking for an analysis of the averages and in interpretation of apparent eccentricities in the stock market barometer not explained in its history during the past twenty-five years. Studies in the price movement would be often published in this place if it were not that readers of such discussions forget that the average prices are analyzed as a barometer of business, but not as a guide to those speculating in stocks.

It was because such discussions had been placed, by people who should know better, on a footing with the forecasts of mere stock tipsters, whether calling themselves analysts or not, that it was felt that such discussion might be profane and profane for a time. The Wall Street Journal is not competing in any such field. But there is a reason why the barometer in the past few months has not the same influence felt before in a major bull market. This influence undoubtedly is the cumulative effect of the income surplus.

But how could steadily the dividend paying common stocks, representing thirty out of the forty taken in the two averages, have been sold by large holders for the effect of bad taxes, because at the time it was written such taxes were regarded as merely temporary and likely to be reversed if the serious emergency measures which had survived the Great War.
action of the twenty industrial stocks, while partly confirmatory, has not been quite so definite or so long. Since, however, that average broke from above 92 to below 90 on September 18 there had been a line with a range of about four points, once emerging above 90 but taking back the bull point, if any, and not at any time below 87. A price of 81 for the rails confirmed by 91 for the industrials would be bullish.

This, judged by both averages, seems sufficiently definite and significant to justify the assumption that prices have reached a figure where a large class of comparatively small investors are willing to accumulate if at least this demand implies a supply, and it may be assumed that larger holders have been selling irrespective of possible business developments, even of the most favorable kind, in order to get away from the tax-gatherer. If all these common stocks were held as the stocks of Pennsylvania, United States Steel or even Great Northern are held, the influence of tax-exempt bonds on the averages would cease to be as serious a factor at present.

The politicians are denouncing tax-exempt bonds on the one hand and dishonestly encouraging their issue on the other. But they are finding the temptation to squander. They cannot make this action square with their policy of maintaining a prohibitive income surtax, and it is to be remembered that the incoming Congress is in this respect more radical than the old one. Secretary Mellon correctly says that a reduction in the surtax would greatly augur for business. The stimulus to business and prosperity would be enormous, and one of its effects would be, almost inevitably, the development of an aggressive bull market in stocks.

**BARRON's: November 5, 1923**

**A LINE IN THE AVERAGES**

In our issue of Oct. 15 the significant line in the stock market averages was discussed in these columns. In such a discussion the effect of the continual transfer of investment from dividend-paying stocks to tax-exempt bonds may be to some extent disregarded. Whatever the reason for the selling may be, whether induced by a faulty system of taxation or fears of the business outlook, the fact remains that the saturation point is reached and the indication is bearish if there is a break below the line, subject to the old and safe rule that the railroad average should confirm the industrial. When the technical condition was last discussed, for sixty trading days the average price of twenty active railroad stocks had not been below 77 or above 81 and, indeed, the upper limit extended as far back as the beginning of July. The industrial line was not so long as this, but from Sept. 13 the average price had fluctuated within a range of about four points and had not broken below 76.

It was then argued that a rally above 81 for the rails confirmed by 91 for the industrials would be bullish, while a price below 86 for the industrials would be bearish if it were confirmed by a price below 77 for the rails, which had not sold at that figure since Aug. 4. This price for the rails has been closely approached several times recently, while the industrials actually broke a trifle below 86 but took back the bear point in the rally for the bull market of December. The railroad stocks lagged, probably indicating a sufficiently well justified fear of Congress.

**BARRON'S: March 10, 1924**

**AMENDING THE BAROMETER**

A distinctly important amendment to the accepted method of reading the stock market barometer has been suggested and worth discussion. It is based upon that condition of dullness which supervened after the great upward movement of the beginning of the century. From 1910 to 1914, it could be held, with some show of reason, that the larger fluctuations in the stock market averages were not sufficient to indicate either a major bear movement or a major bull movement.

The period taken in Mr. Hamilton's book, "The Stock Market Barometer," was one of twenty-five years to the end of 1921, when a great bear movement had terminated, as the book clearly and correctly showed. It is to be admitted that the movement in the five years here instanced was not important either way. But it is to be remembered that the length and extent of major swings adds a great deal to the prediction value of the barometer. There is no rule to indicate exactly how many points constitute a major swing, any more than there is a rule to define the extent of business depression which the movement predicts.

What is to be gained by importing such a refinement into the reading of the averages? It is a matter of good people, with what may be called a fifty-fifty attitude of mind, to use phrases like the following, taken from one of a number of market letters by brokerage houses—"All chance of a further general upward movement in stocks this spring can be dismissed from consideration, although it is possible at a point to a continuation for a time of the present fair business activity." That is an impressive way of saying nothing. It is true that in some latitudes a ship's barometer hardly changes from day to day for long periods of time. But in the latitude of American business there would be little use for a barometer commonly at "set fair," still less a barometer at set fair to middling.

The instance of inactivity cited is the one of unusual recent, and a barometer is really vindicated because the narrow and slow fluctuations in the averages reflected in advance was narrow and slow, better business expectation. A few years of further experience would it seem necessary to add this balancing amendment to the constitution of our barometer.

**BARRON'S: April 7, 1924**

**A "LINE" IN THE AVERAGES**

Students of the stock market averages may very well have noticed that when the twenty industrials and the twenty railroads make what is technically called a line, a fluctuation for a measurable period confined to a range of thirty or at most four points, an unconfirmed bull or bear tip by one of them sometimes gives the reverse of the bearish or bullish indication when the range for the better or worse is shown by the other averages. This is roughly taken to indicate distribution or accumulation. The advance above it means that the floating supply of stock in the market has been and is dependable bullish if one average confirms the other. On the downward side the same indication marks what might be called a saturation point, and,
as in the weather, precipitation follows. Between the middle of February and the middle of March, or for rather more than a month, the industrials did not touch 95 on the down side or 99 on the upper border and during that time the railroads never quite reached 85 or 79. But the two averages parted company. The industrials gave a bear point at 95 and since sold in the neighborhood of 92. They love, in fact, reacted about three-fifths of the distance from the top above 101 towards the low point of 85 in November. This is a true secondary reaction and would be entirely consistent with a major bull market starting with last November, in spite of the incredible fluctuation of the railroads. The line there has been quite remarkable, as the averages have not been so high as 83 or so low as 79 since January 15. This is an interesting condition and one where a line in one average may have a little more than its usual significance. If, for instance, the secondary reaction in the industrials has been arrested, 83 or better for the average will be bullish on both stocks and could forecast a definite resumption of the major bull movement for the whole market.

It may be the enemy's fire has been concentrated on the industrial group while the railroads have been marking time and not under serious pressure for a period of less than three points. There may well, therefore, have been accumulation of the latter, which are certainly below the line of 95. The industrials seem to have been sold to a standstill. The railroad average, particularly, will bear watching, and 85 or over would be a bull point, while sales below 80 would indicate that the secondary reaction was not over.

The Wall Street Journal: April 29, 1924

THE STOCK MARKET BAROMETER

A reader asks: "Are we in a bull or a bear market, based on your interpretation of the stock market averages?"

It was the custom in these columns for many years to discuss the stock market barometer for its value in predicting the course of general business. After the publication of Mr. Hamilton's text-book on the subject, "The Stock Market Barometer," there was a popular disposition to take such discussions as being intended as a sort of guide to margin trading, a sort of guide to margin trading.

Neither that book nor the articles published here had any such intention. There are plenty of other books, monotonous or frankly mercenary, and The Wall Street Journal is not competing in their field. The Stock Market averages, however, make an interesting showing, although their prediction value for the moment is not great.

One of the first and most remarkable features is the rise in the railroad stocks since the first week in August have not sold below 77 or as high as 84. Here is the most remarkable line either average has ever made, for there is an extreme fluctuation of less than seven points over a period of nearly nine months. While a "line" is in the making it is dangerous to predicate either accumulation or distribution. Both processes may be going forward at the same time; but there is some evidence of a line in the hands of the relatively small investor. The floating supply in the market seems small.

On the basis of Dow's theory of the price movement it would be possible to infer a bear market from the beginning of 1923, turning to a major bull movement about February 9, regularly marked in the industrial average. Between the low point of 85 at the end of October and the high of 101 there was a range of 16, but of course what may well be a secondary reaction carrying the price below 90, followed by a rally which at least has not been contradicted by the railroad stocks. It has been truly said that the market is influenced by the sum of what it can foresee. It must be obvious, also, that it is influenced by what it cannot foresee, as, for instance, the vagaries of Congress.

In spite of reports of contracting general business in various directions the condition is not characterized by a rather slow bull market showing narrower fluctuations than in earlier years. It is at least tolerably certain that neither average can be called high in relation to any line of values on yield of the stocks in the averages and surplus available for dividend. What the averages seem to say about general business is that it might be expected to improve with reassurance about taxation.

The Wall Street Journal: May 24, 1924

LOOKED AT FROM THE AVERAGES

From the point of view of the stock market averages, regarding them strictly as a barometer of business and not as a guide to margin trading, the business outlook is uncertain. There was a promise when the present session of Congress opened of early and intelligent tax legislation; that business generally would improve, and the stock market shared that hope. It may be laid down as a broad and sound principle that a barometer predicts just what a barometer can foresee, taking a longer view than the aneroid, because the trading in stocks represents everybody's knowledge of the future. No one can have foreseen what Congress would do to the business of the country in the six futile months of its present session. But at least the averages do not say that business is going to smash following a rally from the first of November which carried the industrial stocks from a fraction below 86 to something above 101. There has been a steady and discouraging reaction since the middle of February, or rather over three months, which has lost all but two points of that gain. If there has been a corresponding secondary reaction in the railroad average the inference would be bearish. But the railroad average, so far from sharing that secondary decline has recorded the most surprising line in its history. Since August 4 the extreme fluctuation has been less than seven points.

Since the middle of December, or for six months, the average price of twenty active railroad stocks has not been as low as 75 or as high as 94, a range of less than six points. For nearly three months past the range has been less than five points. Since early in April the high price is still further narrowed within a range of about three points and the price is now nearer the high than the low point of this long period of accumulation and distribution than at any time since the beginning of April. It seems a clear inference, in a movement where the averages do not confirm each other, that uncertainty still continues as concerns the business outlook, with an underlying sense reflected in the railroad stocks, which no matter buying must necessarily have been largely for that most stable of all purchasers, the small investor. The range there is distinctly below any line of values which could be computed from dividend yield plus the undistributed surplus. The business outlook in a business year is normally uncertain, and pronounced market movements do not occur in such years. Congress has made the cookout more uncertain than ever, and the business barometer is saying exactly that.

Certainly the averages give no explicit bullish or bearish indications. They do not seem to indicate what might be called a safety level, and the much reduced brokers' loans sufficiently show that the market is not vulnerable so far as the speculative position is concerned. The bonus bear raid on the market seems significantly unfruitful.

BARRON'S: June 9, 1924

A STRONG BASIS IN THE AVERAGES

While the stock market averages at present throw little light on the Major movement, the extraordinary "line" or trend made by the railroad stocks is well worth note. Since the middle of January that "line" has not been so low as 79 or so high as 84. This range of less than five points, and since May 1 the range has been contracted to less than three points. Indeed, since the beginning of November the range has been less than six points. Opinions may differ as to whether this line indicates accumulation or distribution, or both, but it is clear that from the small volume of brokers' loans the floating supply of stocks cannot be large. An average price of 84 or better would be distinctly bullish, as indicating that stocks had gone into hands so capable of carrying them that a substantial advance would be in order before an adequate floating supply would check the advance.

On a broad reading of the averages the outlook could be no better for the bull market, and at least the industrial do not contradict. The average there
is more than four points above the new low of the Dow theory, a sentiment which carried the price down from above 101 early in February to below 89 in May. Considering the distracting effect of congressional action upon the general business of the country, it may at least be said that an impartial reading of the stock market barometer would point to a trending upward tendency, not a tendency to improvement. The barometer predicts, but Congress itself could not predict what it would do next. Indeed, its interpretations and predictions are the announcement of its intention to adjourn. That announcement has certainly been accompanied by a development of a spectacular magnitude, an increase of strength from what looks like one of the soundest foundations in the history of the averages.

The Wall Street Journal: June 13, 1924
AN INDICATION IN THE AVERAGES

It is a year since the average price of twenty railroad stocks recorded the figure of 84. It was, in fact, in the early part of June, 1923, that this point was reached, which did not hold. Since August 4 of last year, however, the railroad average had not been as low as 78 or as high as 84. Since the middle of January it has not touched 78 or crossed 84 until the advance of June 11. There has, in fact, been a "line" for six months past, within the narrow range, of four points, and the average has now emerged on the upward side.

In discussing the stock market barometer here, or any barometer for that matter, upon the stock market but for its forecasting value as regards business of the country, it has always been pointed out that the averages should confirm each other. There has been no such corresponding line in the industrial stocks, although something of the kind has been forming since early in April, with a range of rather over five points, and the industrials are now close to the upper line. What is significant in the barometer is that the railroad average has done, or, perhaps more exactly, has not done, without contradiction by the industrials.

A little thought will show no paradox in saying that accumulation and distribution mean nearly the same thing. With the interest in the market what looks like accumulation by the line in the averages has really been a wide distribution into the hands of the small investor. In the old days there was such a thing as buying for accumulation by a single interest or small group of interests. But the days of capturing the control of the railroad by purchase of the stock in the public market have gone by. The railroad stocks have been bought on their investment value, dividend or no dividend, and it is significant that any line of value calculated upon the actual dividends and the surplus available for distribution, at present, is much above the average price of the railroad stocks.

This is a good sign because it shows that the vagaries of Congress in the past six months have not disturbed the confidence of the permanent investor and this argues an underlying confidence in the basic business of the country. It may even be that the tax bill as finally passed into law has stimulated the small investor, with a maximum income, from all sources of more than $10,000 a year and perhaps much less. This is not to say that the plan would not have been better for him, for it would have tended to make him a cost of living a thousand dollars lower as against a reduction in income tax of a tenth of that amount.

Whatever the varying causes may have been, the bull point in the railroad averages is an uncommonly cheerful sign. The course of the market after it was recorded seems pretty certain in the main, and a higher level would have to be established in order to provide a floating supply of stock equal to growing investment requirements.

The Wall Street Journal: July 15, 1924
CHEAP MONEY AND THE BAROMETER

As quoted by the Cleveland Trust Co., its vice president, Leonard P. Ayres, has decided to scrap the Stock Market Barometer. He says: "It now appears that stock prices, as well as bond prices, are determined by current interest rates, and not by the discounting of future business prospects, long regarded as the determining factor of stock market movements."

That is a plausible generalization and its only defect is that it is not true. If dearer money does not reach stringency rates, stocks will advance when other factors are favorable. If money is as cheap as it was in the years between the panic of 1893 and the revival of 1896-7, stocks will not advance. In the past 20 years there have been bull markets with stiff money rates and low money rates. In 1894 the Bank of England rate went to the irreducible minimum of 2 per cent., and continued at that figure for nearly two years. Foreign money was easily obtainable here, but no bull market was stimulated, although London had a boom in Transvaal gold shares in 1895.

Colonel Ayres makes his narrow deduction no better by proposing to found a new barometer upon the record of pig iron and furnaces operation. The Stock Market Barometer takes account of dear money and pig iron furnace operations, together with an infinite number of other things. The average price of active stocks is the result of all this, impartially reflected in a market which no interest is big enough to influence. The Stock Market Barometer at present is predicting better business ahead. It is able to do this because it reflects all things without exaggerating anything. When a large manufacturer sees bad times ahead he sells securities to put himself in a strong financial position to endure the ills. The market declines long before the emergency develops which he and others foresaw. Cheap money is a good bull argument on stocks only if the price level is attractive and if the multiple of other influences are favorable.

In the stock market the thing everybody knows is not news, and ceases to influence business. Everybody knows that money is cheap. The market reflects a multitude of facts, each of which only a little and, as a result, like Colonel Ayres, knows about his own business, in his case banking. It is to the credit of this new prophet that even if it be only pig iron furnaces he can see something beyond the walls of his bank.

APPENDIX

It would be for the benefit of himself and that institution if he devoted a little time to a real study to the Stock Market Barometer before he does away with it.

BARRON'S: August 11, 1924
A STUDY IN THE AVERAGES

All students of the stock market averages would agree that a resumption of the major bull market, after a somewhat one-sided and prolonged secondary reaction, is now in operation. There was a major bear market with all the usual characteristics and marked only by its brief length, from the middle of March, 1923, to the beginning of the following November. Technically the railroads did not actually make their low on that date. It may be pointed out that, on the accepted theory of reading the barometer, a low or high point for both averages on the same day, or even in the same week, is merely a coincidence when it happens to occur. The early stages of the present bull market were sufficiently characteristic even in the industrial tended to recover faster than the railroads. Taken as the sum of all possible kinds of influences, the forecast of future events, the stock market can forecast only what it can foresee. It was impossible for the united intelligence of everybody to say what the fate of Congress would do next, or what the effect of its deliberation and obstruction would be upon the business of the country.

In length its duration, the secondary reaction of the industrials from above 101 in February, 1924, to below 89 in May, followed by a recovery which has carried the average above the last high, was a typical movement and a test of the imagination could have it been divided into two major movements, even if it lasted nearly six months. What was unusual was that while the railroad stocks did not advance against the general current, they made a remarkable line, fluctuating within a range of less than five points, while the industrial average declined thirteen points. This further minimized the importance of the secondary reaction in the industrials. The average of the major bull movement, beginning in May and becoming definitely marked by the middle of June, all the more convincing. It may be recorded, not with
any futile "I told you so" implication, that on each of those occasions the true tendency of the market was correctly pointed out in these columns.

How far the primary bull movement will continue is anybody's guess. It is not worth scientific discussion in this place. There is no intention here of giving tips on the market or of treating the averages as anything else but a barometer of general business. That barometer unquestionably forecasting better times before the end of the year and may well have a bearing on the result of the Presidential election.

The Wall Street Journal: August 28, 1924

INDUSTRIALS AND THE AVERAGES

A Baltimore reader, wisely skeptical about amateur interpretation of the stock market averages, puts his finger on a piece of false reasoning which has had some circulation in the financial pages of general papers. This is that the average price of twenty active industrial stocks having recorded a point of 105.57 on Aug. 20—this being the highest point of the inflation bull market of 1918, with two major bear markets and a completed major bull movement intervening—have necessarily reached the top and should accordingly be sold.

There can be little difficulty in shooting that kind of reasoning full of holes. The circumstances are not parallel. The bull market of 1919 is convincingly quoted in Hamilton's "Stock Market Barometer" as the exception that proves the rule. All the speculation in that market was in the industrial stocks. The railroad stocks were under government ownership, control and guarantee. It was not thought at that time that they would ever go back to private ownership. Railroad stocks were held for fixed income, the yield of the government guaranteed. They actually declined, with the bond market, while the industries were soaring, because securities held for fixed income tend to decline when the cost of living is inflated and advancing.

In 1919, therefore, there was an inflation bull market in the industrial stocks which carried the industrial average to 118.92. This was followed by a precipitous decline in a major bear movement lasting nearly two years. Industrials in 1919 had so monopolised speculation, in an exceptional way, that it is not likely to recur, that they were selling far above the line of valuables. They were accordingly deflated in a way the farmer never was and, indeed, possibly his friends a barometrical warning of what was coming.

But it cannot be said that industrial business today is in a condition to repeat that on consideration of earning available for dividend and actual yield, the present price is even above the line of value. It might much more truly be said that the average price of 85.76 in October, 1923, or 88.33 last May had discounted any possible inflation and left a sound basis for the present bull market. Values of the industrial corporations today are not represented by bloated inventories but by positive value and productive power stripped to its true worth. How far the present bull movement may run, after the secondary reaction of the past few days has been recovered, the stock market barometer does not pretend to predict.

The idea of selling the industrial short on a purely imaginary double top of this and the last bull market has its only basis in a falacy.

The Wall Street Journal: September 11, 1924

A STUDY IN THE PRICE MOVEMENT

Students of the stock market averages, following the method of reading their indications which is known as Dow's theory, must have been struck by the way in which they are running true to form. Although Charles H. Dow died at the end of 1902, he could hardly have desired a clearer example to make his point than the present secondary reaction in a major bull market. From May 20 of this year to Aug. 20, almost exactly three months, the industrial average advanced from 88.33 to 105.57, or rather better than 17 points. In the same period, to within two days, the twenty active railroads advanced from 94.97 on May 20 to 92.65 on Aug. 18, or better than 11 points.

Since that time the twenty industrials have reacted to 100.76, or not quite 5 points, and the railroads to 88.70, or rather under four points, or roughly about 30 per cent. of each average. Even the day before the result of the Maine election there was a rally in both averages. Technically, anything over 92.65 would be strongly bullish on the railroads as would also a corresponding recovery by the industrials, and the two together, or within a few days of each other re-establishing the high points of Aug. 18 and 20 for the railroads and industrials respectively, would indicate an authoritative resumption of the major bull movement.

More than twenty years' experience in discussion of this kind has taught that the secondary reaction in the market, superficial in itself, is not governed by the same laws as those which obtain in the major bull movement of which they are a characteristic part. The reaction in a bull market resembles only in direction and not in kind the true primary bull movements of students. But the averages are by all odds the most important barometer of business. The present major bull market forecasts a resumption of industrial and industrial activity now well in sight. The reasons for a secondary reaction are largely technical.

To ascribe that minor movement to last week's uncertainty on the Maine election is a matter of market convenience. Anxiety on that account might have produced a little selling even in the face of the startling betting odds on Coolidge of four to one. Wall Street looks around for reasons when the market sells off and rather weakly concludes that a poor reason is better than none. In the course of any primary advance the bull account goes stale, and the professional element is testing it for weakness all the time.

What can safely be inferred is that the major bull movement is not over. The indications given by the three months advance are still in force, nor would they be called in question except by a secondary reaction after failure to re-establish the high prices of both averages made in the third week of August.

APPENDIX

The Wall Street Journal: November 12, 1924

A LEGITIMATE BULL MARKET

There is no such conservative as the man who has been wrong about an inflation bull market. All his pessimistic guessing failed. His comment which appears, most improperly, in the general news section of a New York daily:

"How long the present violent market will last is a matter of speculation. In many conservative banking quarters it is believed that the market has been traveling too fast and that, while in potential value most stocks are worth what they are selling for, there is danger of the markets getting out of hand.

"Should the 'boiling' markets continue, it is suggested that banking institutions and wealthy individuals will furnish a volume of sales that will serve as an actual brake to speculative enthusiasm. Another probability is that some sort of artificial brake, possibly through the money market, will be imposed."

There never was a more legitimate bull market than that which is now shadowed in the Dow and other averages, by the new high points on November 1 and November 10, in the railroads and industrials respectively. This critic assumes exactly the attitude of the professionals when McKinley was re-elected in 1900. The public vision was clearer. The outsider took all the stock the insider was willing. A bull market set in which did not culminate until the autumn of 1902, in spite of the interruption of the Northern panic, which was a panic accident and not a result of overtrading.

Never was a bull market inaugurated under more satisfactory conditions. At this time of year money is ordinarily tight, and the call money rate is at 2½ per cent. Manufacturers' inventories are light and there is relatively small amount of unsold goods on retailers' shelves. Brokers' loans for customers in Wall Street are not ½ of what they might freely be. They could be increased to four billion dollars, and freely, and without the slightest danger to anybody.

But in order that this inexperienced amateur shall have some sort of offset for his own bad guessing the Federal
The Dow Theory

Reserve System, or even Congress, is to meddle in an incipient bull market and say that people all over the country shall not be allowed to use their own money in fair speculation in securities. Because there have been a few days of trading of over two million shares, less than 3% of the record, with facilities for doing business infinitely better, the stock market is to be described as "violent," and anybody who can make a few intelligent dollars in it is to be rapped over the knuckles by the banks. For goodness' sake, cannot we inaugurate a condition of real Americanism, where we are allowed to blow our own noses? There has scarcely been an occasion in its history when the New York stock market has not perceived dangers ahead long before anybody else and safely liquidated itself accordingly.

Barron's: November 17, 1924

A STUDY IN THE PRICE MOVEMENT

In the long and useful record of the Dow-Jones averages there has never been more a convincingly bullish point than that given by the railroad stocks at the close of the trading on November 8, with a new high at 94.10, confirmed by the industrials two days later, with a new high at 105.91. It may be said that there has been a sluggishly major bull movement since May of last year, recently interrupted by a secondary reaction which set in about the middle of October and has now been more than recovered. It is trustworthy evidence that the development is well ahead of the development of the country's business. The averages have in the past indicated caution and a coming recession in general activity as far as ten months before the records of trade vindicated the sensitiveness of the barometer. It is probably saying today what conditions will be next spring, after the demise of a Congress which has, upon the whole, done the business of the country a great deal more harm than good.

The Wall Street Journal: November 24, 1924

A STUDY IN THE PRICE MOVEMENT

Almost immediately after the election, in spite of a volume of short-sighted professional and semi-professional selling of stocks, on the theory that "the good news was out," the market developed a vigorous upward movement. It pointed out in these columns that the new high point for the average price of 20 railroad stocks made on November 8 at 94.10, confirmed by the 20 industrials two days afterwards with a new high of 105.91, indicated a resumption of the major bull swing. Subsequent market movements have only confirmed the confident inference there drawn.

To keep the record straight it may be said the present major upward movement in stocks developed in the middle of May. It was most deliberate so far as the railroads were concerned, although the trend in both averages was identical. In early October a secondary reaction from the last high points made in August, with the half-hearted rally and a technically bearish low point in the middle of October. As major bull movements have a minimum duration of much more than a year and have extended to considerably over two years, the secondary reaction was of small consequence.

There is a word of caution necessary for students of the average who expect from Dow's theory of the price movement, as discussed in Hamilton's "Stock Market Barometer," a degree of mathematical accuracy which nothing so human can usefully attain. The subject is discussed here for its barometrical value on the future of general business. The indications of either average or both taken together are surprisingly sound on the general trend of the market but utterly deceptive in a given stock. People, therefore, who propose to base a system of speculation on these market indications do so at their own risk.

Given sufficient capital and a gambling house which makes no limits, there are mathematical formulae which might break the bank of Monte Carlo. In addition to the work in Wall Street practice, the speculator with such a "martingale" will not beat the bank. The broker, for his own protection, will see the client, and not carry any dangerous number of eggs in one basket. The banks, and even the Stock Exchange itself, will compel the broker to exercise a supervision of that kind.

Much twaddle is being written about the "gambling" in stocks, especially by people who missed the market or predicted a reaction. The financial center was never in a better condition to handle a broad and thoroughly justified advance. Unless all signs fail the time for that sort of worrying is many months away.

Barron's: December 29, 1924

The Price Movement

More than six weeks ago it was pointed out in these columns that the Dow-Jones averages of twenty railroad stocks and a like number of industrials had never given a more emphatic signal than when the railroad stocks, at the close of trading on November 8, made a new high at 94.10, which was confirmed by the industrials two days afterwards with a new high at 105.91. This inference—and it would be contrary to the policy and purpose of these discussions to call it a prediction—was a result of analysis by the method known as "Dow's theory" exhaustively interpreted and explained in Hamilton's "Stock Market Barometer." Since that bullish indication was given the market has advanced just as it was foreseen, with an average advance of more than two points in the railroads and ten points in the industrials. This is a continuation of the major bull swing, which may be said to have set in last May, gathering impetus in the usual way as it went along. It was characteristic of a considerable secondary reaction setting in about the middle of October, and it may be said that the second presidential election marked an essential part of the theory of the price movement as the main direction. It cannot be said too often that the stock market is a barometer and not merely a meaningless daily index. It represents everything that anybody knows, and certainly many times more than the knowledge of the most well-informed individual in Wall Street. It says that a broad development in business was as evident as far away as last May and that not of that development has been made more sure throughout the autumn and the early winter. It clearly foresaw the result of the presidential election, as it shadowed record car loadings for the railroads, and improvement becoming more marked in every branch of industry. It predicted the Inflation Act of the Dawes plan and the broad expansion of business throughout the British Empire. The barometer is easily many months ahead of the events it predicts, and it is fair to infer that the coming year will see an expansion of sound business, safe-guarded by low inventories and cheap money without, so far as can be seen, any sign of inflation anywhere.

It is sometimes asked how the culmination of a major bull movement can be recognized. The average life of a major bull movement, on the experience of the past quarter of a century, is not less than four years. There is no reason to suppose that the present bull movement will culminate until far into 1925. The occasion of a break in the
market at the top might well be accidental, but the causes would be due to overtrading, giving clear evidence that the slack in the world's capital had been taken up. Technically, the stock market would then rally, but would fail to carry the averages through the old top. We may well cross that bridge when we come to it. In the meantime the indications are a clear track and full speed ahead.

The Wall Street Journal: February 23, 1925

A SECONDARY REACTION?

Comment here made on the stock market, with its price movement analyzed on the lines laid down in Hamilton's "Stock Market Barometer," is something of an experiment which should provide its own test of usefulness. It is written four trading days before publication, following the signs of a sharp setback in a major bull movement, and all manner of things may happen before the inference sees the light of day. On Monday, February 16, the averages in a single day's trading showed a decline of 2.90 in twenty industrials and 1.05 in the twenty railroad stocks. They did more than this because they broke through a line which had been in process of formation since the beginning of January. In that time the industrials had not been below 120 or as high as 124, while the railroad stocks had not sold below 98 or as high as 101. This is a range of thirty points, and less than four points in the former. On Monday of last week the industrials broke below 118 and the railroads below 98.

It is clear that at that date the market had become too full of stocks and could be forced lower before finding support in new buying at a more attractive level. There is nothing extraordinary in the reaction of a bull market which has not had a substantial secondary swing since the development of its post-election activity. Secondary swings indicated is not the termination of the major bull market but a pending secondary movement, a thing so easy to describe and so hard to prove in the absence of technical analysis. It begins or ends with a line—or it does not. If the major movement is sluggish but well-defined, the secondary reaction is apt to be sharp with a correspondingly slow recovery. Dow was not afraid to give it a duration as long as three months, although our experience and an average of the averages over a quarter of a century has mostly shown shorter periods before the resumption of the major movement.

What can be said of the accepted reading of the averages is that a secondary reaction seems due, but that the major movement has not yet reached its top, unless the Cotton boll market has been one of unprecedented duration, counting its genesis, as we do, from the end of October, 1923.

BARRON'S: March 9, 1925

HAMILTON ON THE MARKET

Well Known Market Analyst Says Stocks Have Not Seen Best Prices—New High Marks for Averages Very Significant

In an interview Editor W. P. Hamilton of The Wall Street Journal, author of The Stock Market Barometer, says:

"There is always an element in Wall Street which runs counter to the general tendency. In a sense, one can say that the average of the averages is the technical condition of the market should always be kept in mind. Stocks are better distributed than they even at their low level. The supply of stock Exchange itself restricts the quantity of stock a brokerage house can carry to its capital capacity and the conditions, their supply. They are holding stock for a long pull are financing it themselves. They are carrying it in boxes or on loans in their homes towns and these are distributed all over the country. I have had letters from far away as Seattle, San Diego, Houston, Texas, and Tampa, Florida, asking for advice on stocks bought at much lower figures.

"There are two consequences from this condition. One is that a professional raid on the market does not shake out a great deal of stock, because of the limitations on what the brokers in Wall Street can carry. If there is not a thoroughly bad news to justify the raid, the raiders are in the position of having to cover their shorts.

"The second consequence is more remote but equally important. When an unexpected character to disturb public confidence there would be a large volume of selling from all over the country. Such a degree of scare might not be calculated with anything like the degree of certainty possible in the past, when it knew that the bulk of the bull account was being carried in New York.

"Secondary reactions in a bull market are hard to gauge and even the indications are sometimes deceptive. On February 19, 1923, and again in 1924, the averages gave a bearish point after making something of a line, although it is to be remembered that the rights on General Electric had been subscribed. This may fairly be said to have made a bearish indication—breaking through the lower limit of a line less convincing than it might ordinarily be. At any rate, the bearish indication was taken back.

"On Monday, March 1, the industrial average by advancing above the previous high point and above the line which the averages had been making within a four-point range, gave a bullish indication which was partly confirmed on the following day by the railroad stocks.

STOCK DISTRIBUTED ALL OVER THE COUNTRY

The technical condition of the market should always be kept in mind.

"My advice is that while business is not booming, it is distinctly improving from week to week. If the stock market barometer is what I think it is, even supposing that the barometer has reached its peak or somewhere near it—it is a fact of which there is no present indication—then the improvement of business has many months still to run. Unless all precedents fail, the stock market will turn long before business does and we shall have the usual experience of being told that Wall Street is the only blue spot in the country.

"So far as the barometrical indication for the immediate future of the market is concerned, both averages—on Monday in the industrials and on Tuesday in the railroads—were one of the strongest bull points by advancing above the line which they have established in the recent past. The point is made all the stronger in the face of the fact that the previous bearish indication of three weeks ago was taken back."

BARRON'S: March 16, 1925

MODIFYING THE BAROMETER

An interview with the author of "The Stock Market Barometer" published in these columns last week did not, perhaps, prove that it was not necessary at the moment, emphasize how the change in technical conditions in the stock market has modified that important movement shown in the record of the averages, the secondary swing—the reaction in a major bull market, if not the rally in a major bear movement. It must be fairly obvious that with the brokerage houses limited to a bull account for customers measured by their capital resources (the measuring to be done by the highly conservative Stock Exchange governing committee), the market is bound to a level of stocks in a bull market which could be forced out to precipitate a reaction is smaller than it was and therefore lesser and lesser.

The present question that the American public has plenty of money to play with, and if the brokerage houses cannot carry the stock the
customer can take it up even if he has to borrow elsewhere.

One of the safeguards of a bull market is the condition of the market. It is the most effective check on excessive speculation. It is said that something of the kind was occasionally brought about when business was flourishing, in order to fleece customers who were making profits in spite of earnest efforts to see that they did nothing of the kind. Any bull market tended to get too heavy, and with most of the bull account well in sight and reach, a substantial reaction really brought itself about. Let us call it the bull account carried all over the country, in customers' boxes or in loans with out-of-town banks, is by no means so easy to shake out the bulls as it was. As Mr. Hamilton points out, this is a source of potential weakness in the rare event of the market being taken by surprise. The market foresaw the World War, as the action of the barometer in the early part of 1914 clearly showed. It could not foresee the San Francisco earthquake or the Baring failure at the end of 1890.

The principles governing the action of the stock market barometer are unchanged, although it is clear that their action is modified by new conditions. Perhaps it might fairly be said that the market is not so free as it was, with its usefulness as a barometer, therefore, slightly impaired.

BARRON'S: March 23, 1925

A TRUE SECONDARY MOVEMENT

After a somewhat prolonged hesitation the stock market averages have shown what may be fairly called a typical secondary reaction in a bull market. In the space of nine trading days this carried the industrial stocks down seven points from the top, while the railroad moved thirteen points. It is a movement that might logically run further, and it is rather due to the technical condition of trading that such a shaking-out has not happened before. With a lock held for the rise, locked in private boxes or carried in out-of-town bank loans, it has been clear that some influences other than a mere local bear raid, based upon the assumed over-hoarded condition of the market, would be necessary to start a secondary reaction. At this point it is easy to err in attempting to determine what is manifest, however, that the causes for the secondary reaction, other than the vulnerable condition of the bull account and the absence of new buying, must be made sufficiently obvious, in a nationwide sense, to produce outside pressure.

There is always a danger of the old fallacy of post hoc ergo propter hoc, but at least there are two influences conspicuous enough to have attracted attention all over the country and to have disturbed the confidence of bulls on stocks. One of these is the weakness of Chicago, Milwaukee & St. Paul stocks and bonds culminating in a receivership which many had hoped might be avoided, but which every well informed authority felt to be a necessity. There is also the turn for the worse in politics at Washington. It should not be overlooked that the new Senate is now in session and that it is obviously not on good terms with the President. Part of the confidence generated by the nomination of President Coolidge and reflected in the bull market in stocks was due to the anticipation that the Capitol and the White House would work as soon as the new Congress was called together. The Senate of the United States has shown itself almost as little-minded as its predecessor in the humiliating defeat upon the President in a nomination for his own Cabinet, the first rebuke of the kind in something like sixty years. The investor will have disturbed public confidence sufficiently to bring about the necessary outside pressure of stocks which would produce, so far as the stock market barometer is concerned, the well known secondary movement, a reaction in a major bull market.

That this is anything more than a secondary movement is not indicated by any sign of the barometer. The terminations of the somewhat violent but entirely typical reaction must logically be in dullness, followed by a slow recovery reaching new high points in the major movement. There is no method of gauging how far the market is likely to carry or what its duration may be. The fact remains that the major bull market has not completed its swing on any fair analysis of the relation of the averages to the rising line of values.

The Wall Street Journal: April 1, 1925

A SECONDARY REACTION

It has been pointed out in these columns before, in discussing the stock market averages on the Dow theory of the primary movement as set forth in Hamilton's "Stock Market Barometer," that a secondary reaction in a bull market which is long delayed is apt to be severe, and there is no evidence in the movement of the averages that the reaction which has been in force since the early part of March marks the inception of a primary bear movement. It has also been pointed out that a change in technical conditions made it practically certain that the secondary reaction followed a continuous advance since the election of President Coolidge, or more correctly since October 14, 1924, would be especially sharp while the current commission including members of the Stock Exchange exercises a close censorship on the operations of its members. Their commitments for customers, therefore, is limited to that amount which the committee considers safe for the capital they employ.

As a consequence a large quantity of stock has been turned over in boxes of custumers or in loans made by customers with their own bankers all over the country. This set up a new condition, because in the past the Wall Street had a fair idea of how much stock could come to market under the stress of a severe shake-out. It was all, or nearly all, practical in sight. It is now impossible to estimate the quantity with any real accuracy. The traders consequently mark down prices, where they can, in order to protect themselves and maintain a free market. One of the features of the secondary decline has been the extent of the fluctuation in the thin movement of the averages, that which occurs from day to day.

Reasons for a secondary reaction are usually technical and have far more to do with the condition of the market than with bear arguments brought out by newspaper commentators after the events. Much has been made of dearer money, merely because the Federal Reserve rate was advanced and the Bank of England also protected itself in the same way. The demand for money is purely seasonal and will have spent its force within a few days, if it has not already done so.

Weak spots like St. Paul do not make a major bear market any more than one swallow makes a summer. Some students, however, unquestionably influence the judgment of people who are carrying stocks out of town and of the country or provincial bankers who have made loans on them. So far as the price movement is concerned, it is impossible to call the bottom of the secondary reaction; but the bull market should ultimately be resumed with a higher level of prices in the course of the summer for both averages than has so far been attained.

BARRON'S: April 20, 1925

THE PRICE MOVEMENT

Dow's theory of the stock market averages, the triple moving average of the primary bull or bear swing, the secondary reaction or recovery, and the daily fluctuation, while not professing to be an infallible guide, has stood the test of experience remarkably well. Over a period of more than a quarter of a century it has been tested, in The Wall Street Journal and in these columns, as a method of forecasting the general movement with a view to its barometrical indication of the course of business. There has seldom been a more typical condition than that which has developed in the recent past. A major bull market emerged slowly from about the end of October, 1923, gradually gaining strength and authority and developing great vigor from about a fortnight before the Presidential election. The bull market saw its top for the time being at the beginning of March, when a sharp and typical secondary reaction set in which carried the industrials down 10.68 points of an advance of forty points, while the railroads declined eight points out of a total advance of rather over twenty-two points. For a few days the low point was made on March 30 in both averages at 115 and 92.98 respectively. Since that date there has been a recovery of over six points in industrials and nearly four in rails with a less
active market and a more leisurely price movement. The action of the market after the low point of the secondary reaction was reached is most characteris-
tic and has been repeated many times in the past, practically always indicat-
ing a resumption of the interrupted major movement.

The alternative was fairly submitted in these columns last week. The stock averages form a barometer of business, and if the reaction which set in at the beginning of March were to be regarded as the beginning of a major bear market conditions of general business in the United States would be far different. Unless all information fails and the ex-
ceptions to general prosperity are to be regarded as establishing a new rule, there is clearly not the material on which to found a bear market. There is the suggestion that we might have neither—that the stock market might back and fill for an indefinite period, forecasting a like uncertainty in general business. But, on values, the major bull market had by no means over-
discounted dividends, earnings, and prospects sufficiently to be fairly in sight. If for other reasons, mainly technical, the market had lost a third to a fourth of its main advance, the tendency there was to return to the high level of the end of February and to establish new high points before the major movement culminated. The pres-
ent action, as the writer of previous experience, is a clear evidence of its inherent strength.

**BARRON’S: May 25, 1925**

**THE PRICE MOVEMENT**

Any student of the stock market averages following the rules undogmati-
cally set forth in Hamilton’s “Stock Market Barometer” will recognise that they have been running true to form. As the studies in the market movements published in these columns have from time to time pointed out, the top of the major bull movement had not been reached when the twenty industrials recorded 132.68 on March 6 and the twenty railroads 100.96 on March 30. A number of industries on the market, with a much more pretentious system of in-
dices and tabulations, announced at that time that the bull market was over.

It was correctly pointed out here that the long-delayed secondary reaction, it-
self characteristic of a major bull market, had developed. That reaction culmi-
nated on March 30, with a decline of more than ten points in the industrials and rather less than eight points in the railroads.

Not only have the industrials recov-
ered that decline; they have made a new high point for a major bull move-
ment which has now been running since October, 1925, or substantially less than the average duration of such a market, which works out at a little under 12 years, if that kind of average were of any real value with only seven bull mar-
tests to compare. The railroad stocks have not yet made a new high, and, at the time of writing, are still two points below the last top of March 3. It has been the safe experience that these aver-
ges must confirm each other, and that has been the reason why two dissimilar groups of twenty stocks each have been chosen for purposes to record instead of a miscellaneous group of forty stocks. The indications in the matter of major swings, recoveries in bear market and reactions in a bull market, seem to be definitely more dependable.

It might fairly be said that there is some uncertainty about the general business outlook, which is a broad but not expanding and in other places tending to hesitate. The action of the stock market now would seem to predict some continuance of that un-
certainty for a distance ahead, but not to indicate anything which could, for a moment, justify the early inauguration of a major movement on the bear side.

**BARRON’S: July 6, 1925**

**A STOCK MARKET TEST**

On Monday, June 29, the stock mar-
ket had an interesting test. The Santa Barbara earthquake was a bolt out of the blue, something that even the aggre-
gate knowledge of the stock market could not foresee. A number of peo-
ples sold the market short, succeeding in establishing a decline of .50 of a point in the 20 industrials and .77 of a point in the 20 railroads. In establish-
ing how people will risk good money on the most superficial examination and on apparent resemblances which do not bear analysis. Subconsciously at least, these operators were banking on a re-
tention of the market decline which occurred down the San Francisco earth-
quake in 1906 and helped to make the longest and most powerful secondary reaction in a major bull market which the Dow-Jones averages have ever recor-
ded. The result of the short selling on the present occasion was anything but encouraging to the militarian bear, for the industrials recovered 1.78 on the following day and the railroads .61, the latter nearly as much and the former more than had been lost in the bear raid.

It need hardly be said that there is no real analogy between San Barbara and San Francisco. In 1906 the market was on the down grade. A substantial secondary reaction had been established and there was a weak and therefore vul-
erable bull account. But the raid of last Monday was a first-class testimo-
nial to the market’s technical strength. Some few weeks ago it was estimated in these columns that more than half the business in the Stock Exchange was vir-
tually swapping contracts on the floor, with pool operations in specialties per-
haps 80% and the balance representing the general public interest. It is obvi-
sious that without any bear pressure a bull second line could not liquidate it-
self in a couple of trading days. It is im-
possible to have a bear market unless there is an over-extended bull market.

Although the situation for upward movement in the Stock Exchange has been in operation since October, 1923, it is still based on values rather than price. One of the bearers in such a market, when fairy tales of rapid fortunes are current and the popular following is really large.

**The Wall Street Journal: August 14, 1925**

**A STUDY IN THE PRICE MOVEMENT**

When the twenty active railroad stocks crossed the old high point at 100.96 they definitely confirmed a bull-

ish indication only partly implied when the industrials sold at 131.76 on July 1. In the case of the latter movement, as based on the Dow-Jones averages of twenty industrials and twenty railroad

stocks, it has always been found safe and wise to consider indications only when the averages confirm each other. Early in June the industrials made a

new high, but took it back. They have not taken back the subsequent still higher point reached on July 1, so that it can be taken in conjunction with the new high for the railroad stocks. It has always been a legitimate inference on the completion of such a bull point that the floating supply of stocks had been absorbed and that a new high level will be in order to attract new sellers. So far as the railroad stocks are concerned, the present bull market may be said to have started from the low (rally) of August 4, 1923, at 76.25, confirmed by the advance of the industrials from the low of the following October 27 or 85.76.

It will be seen that in this bull market of unprecedented length the indus-
tries have advanced over 51 points and the railroads more than 24 points. This is by no means a new record, as the high point of 1926 was followed by a drop of over 60 points in the industrials and nearly 50 points in the railroad stocks. By analogy the newly confirmed indication of the situation is likely to be specially bullish on the railroads, which have certainly not been conspicuous for activity in the present bull mar-
ket.

A number of commentators on the market have assumed that the danger point of a long advance has been reached because the situation has developed into a limited group, chiefly industrials. That phenomenon is more spectacular than convincing. On the general market trend, and on the other side, there is the bear market, as a barometer of trade, that part of the trading has probably not much more significance than an unobserved display of pyrotechnics in Slute Motor. Brokers are demanding almost prohibi-
tive margin in such stocks as Mack Trucks, and if the speculation in a few of them collapsed the bearish effect would probably be momentary, while the ultimate general influence might well be good.

After a bull market which has lasted nearly two years the third stage, the discounting of hopes rather than values, cannot be relatively far away and may have even been reached in a few individual instances. The fact, never-
theless, remains that the averages pro-
THE DOW THEORY

claim a further upward movement of the market.

BARRON'S: October 5, 1925

THE PRICE MOVEMENT

A study of the stock market, always strictly considered here as a guide to the broad tendency of business and on the lines set forth in Hamilton's "Stock Market Barometer," discloses a highly interesting position. The twenty industrial stocks attained an average price of 147.73 on September 19, since which time they have reacted nearly four points and rallied again, encountering more resistance to the all-conquering bull movement than the market has experienced hitherto. The net advance in the industrials has been great, compared with any bull market of record. The yield in dividend of these twenty stocks is appreciably below 40% and the market, so far as the industrials are concerned, should be said to have reached its third stage, where people are buying on hopes and potentialities rather than on demonstrated values. By any high grade railroad which has been running for something more than twenty-three months, dating from October, 1923.

That large volume of general trade and tangible prosperity which the bull market forecast has materialized and seems likely to continue. Indeed, it is so well established that one of the most probable predictions in the near future, so far as the stock averages are concerned, would be a period of adjustment and stabilization at a new high level. This is a time when the old theory of double tops might prove useful, as, for instance, any close approach to the high points of September 19 and September 23 respectively, followed by a reaction in both averages.

It can only be repeated that the market will bear watching.

APPENDIX

The Wall Street Journal: November 12, 1925

A STUDY IN THE PRICE MOVEMENT

In a study in the price movement, based on "Dow's theory" as set forth in Hamilton's Stock Market Barometer, published in these columns August 14, it was pointed out that in spite of an advance at that time of 51 points in the Industrials, since October, 1923, a further upward movement was to be expected. The major bull market accordingly carried on and, after a reaction of a trifle over 3 points in the Industrials in the week ending September 28, a new high point for both averages was recorded on October 20.

As readers of these studies know, such a view points to a period of further advance which continued up to and including November 6, when the highest point on record for the Industrials was 159.19, reached the high for the Railroads being 105.19. On November 7 a secondary reaction, described as already over due in The Wall Street Journal on November 8, set in. It will be observed that the "Dow average" series of forty stocks, which carries the movements of the major market in stocks and which is primarily, if not wholly, the property of Dow-Jones, may have had a decline of 5 1/2 points since November 7, but there is no evidence as yet that the market is breaking down. The Wall Street Journal on November 8, 1925,

BARRON'S: November 9, 1925

A LOOK AHEAD

With a bull market in which stocks has carried on, with ever-increasing momentum, over a period of more than two years, it is natural that conservative folk should be asking themselves and each other what will finally check the upward movement, bringing about the kind of reaction that is typical of a primary bear market. It is not to be denied that the great strength in the stock market has been vindicated by remarkable prosperity, plentiful and easy money, good crops and a condition of the railroads better than it has ever been in the history of these companies.

It may also be taken that the coal strike has been justly disregarded by the stock market and by general business, where production may be locally embarrassed. It has been pointed out, also, in this place that even if there is a sum of $20,000,000,000 tied up in purchases under installment plans, not including houses, that amount is spread out so thinly that it could not hurt business except in the event of an improbable number of simultaneous defaults in payment. But this condition does indicate something which should give us a clear view of the next reaction in business.

Never in our history has there been so tremendous a conversion of floating capital into fixed capital as that now in progress. Recovery in the latter part of this year is beyond all belief, and it is far more costly that it ever was before. A sub-division in a suburb is not opened for money, but for dollars, and when the five concrete roads are laid out and finished, at a cost of $90,000 a mile and upwards, within a radius of twenty miles of Ashland, Ohio, prices will be out of all control there are seven miles of road at $44,000 a mile. This is going on round every city in the United States. Florida is merely the froth on this flood, although it need hardly be said that when lots in Miami fetch better prices than lots on Fifth avenue, New York, the ultimate purchaser is bound to get hurt.

Although the tendency of money, altogether with wages, rents and the cost of living, will in all probability be downward throughout the next twenty years, there will be occasional interludes of tighter money. Sometimes, and probably next year, we shall experience a marked shortage of capital for investment and speculation, and the stock market will react to it. It will develop a major downward movement when the whole country is bubbling with prosperity and ever-expanding hope. We shall, as it is well to be told that "Wall Street is the only blue spot in the country."

No doubt Wall Street will be able to stand it, for its skin has been toughened by much beating in the past. So far as any inference from the Dow-Jones stock averages is concerned, the major bull market in stocks is still ruling, with one temporary reactionary due, but no bear market in sight.
been the case throughout the present upward movement. They are a note of warning on the bull market as a whole which has now run over two years. If, for instance, the Railroads recovered to the near neighborhood of 106.19, but did not quite reach it, while the Industrials rallied from the break to the old high figure of 159.39 without crossing it and then both averages developed a new decline, there would be strong reason for suspecting that the major upward movement was over, although it might take weeks of trading before a major bear market could be confidently diagnosed.

As the last study in the price movement said, we have reached the stage where the bull market requires careful watching. The averages continue, as they have done for the last quarter of a century, incomparably the most trustworthy barometer.

The Wall Street Journal: December 17, 1925

A STUDY IN THE PRICE MOVEMENT

While the Dow-Jones averages used for a quarter of a century in these studies in the price movement, not only more than the proprietors but it also forms an important part of the stock market position, as it is a measure of future business, and even their own direction, that the experts are not surmised by all prophets. They are not talking all the time. Discussions on the subject are immensely popular, to judge from the correspondence they excite, although students are learning generally to use the text book on the subject, Hamilton’s “Stock Market Barometer.” In view of the high level of the bull market, which was reached in September, some thoughts on the present position are in order.

In the past few days the Railroad average has been making new high points, but the twenty Industrials at the close on December 15 were more than five points below the high figure of 106.19 recorded on November 6. It is clear that the averages are giving no signal of any kind of a change in the general direction. The major bull move, in operation since October, 1923, is still in force with a typical secondary reaction in the Industrial stocks uncompleted. An advance in the Industrial group above the level of November 6, or to 159.40, would be strongly bullish on the whole market.

Indeed, to give a bearish indication, a reaction in the Dow-Jones average something like the eleven-point recession shown between November 6 and November 24 in the Industrials, but not necessarily of such severity, is quite possible. If this occurred, the Industrial average would fall to 101, or above 105, a most dependable bull point when the latter figure was crossed. This, of course, indicated a large absorption of stock, finally restricting the market supply and forcing an advance to bring out new sellers at a more attractive level. Subject to the hesitation in the Industrials, the indications of the averages are still strongly bullish, but will, of course, bear watching.

The Wall Street Journal: December 22, 1925

TO TEST THE AVERAGES

So much importance is attached to the Dow-Jones stock market averages, not merely in these columns, where that barometer of business has been usefully applied for nearly a quarter of a century, but by students all over the country that a test of their representa-

tive quality should be welcomed. Do the Dow-Jones averages correctly reflect the movement of the entire Industrial market, so greatly enlarged in the past few years? Here is an independent test, and it comes from one of nationalwide author-ity, Colonel Leonard P. Ayres, of the Cleveland Trust Company. In a recent comparison of furnishes in blast, with the price of over 200 Industrial stocks, he drew some inferences which made it possible to get from him an independent opinion. He says:

“The 201 Industrial stocks making up the index line reproduced in my current Business Bulletin are those entering into the tabulation of the Standard Statistics Company. They use their figures on the closing prices each Monday. The figures are not direct means or averages but are in relatives. For this group of 201 Industrial stocks the mean of the 1917-1921 stock market was taken as equal to 100, and all the subsequent figures are referred to that basis.

“I think the results prove once and for all that the Industrial average is a reliable barometer of the Industrial market, and as such is a useful guide to the investor. The fact that the Dow-Jones averages run just below the original data, and show almost every minor variation as does the major swings of the first series. There is some correspondence in the two series. The Dow-Jones figures are subject to the same high of the movement, and the highest point on record, at 159.39. From this table was a well marked secondary reaction, with all the characteristic features of such a movement, carrying the price down over 11 points, to 148.18 on November 21. After that, they rallied to 159.00 and from that the market, on January 21, had reacted to 153.20. This would be highly significant if the confirmation were given that railroad stocks were more nearly parallel. But the railroads did not make the 11-point reaction in the Industrials. They eased off a point or so, but made the high of the present movement on January 7 at 113.12. From that figure there was a reaction of less than 5 points to 108.26 on January 21.

To indicate a resumption of the major bull market, which would be thoroughly dependable on all previous evidence, it would follow that the Industrials would sell above the November high and the railroads to sell above the high of January 7. But as the Industrials have already made a significant double top, a recovery of the railroad average...
THE DOW THEORY

The Dow Theory to a close figure, but less than 113.12 followed by a subsequent reaction, would come near to indicating that the long bull movement had seen its close. The example of 1906 shows us that an immediate bear market need not necessarily be assumed, although it would be dated from the time when the high points of the averages confirmed each other. As the stock market barometer is usually six months or more ahead of the general business of the country, the inference would, of course, be a check in the expansion of trade in the second half of 1926.

The Wall Street Journal: February 15, 1926

THE PRICE MOVEMENT

Never were the Dow-Jones averages harder to read than they are at present, and never was the temptation so strong to say nothing about them. The Industrials made a high point in November, but the railroad stocks did not respond. The railroads reacted from 113.12 to 108.26 on January 21 and rallied to 111.36 on January 30, selling off subsequently. Here was another case of double tops, and the advance of the Industrials to a new high of 160.83 did not confirm the bullish indication in the railroads on January 7 as might be superficially assumed. It required, and at the time of writing still requires, another confirmation by the railroad averages taking back the bearish indication given in their "double top." It has been the experience, in writing these studies for something like 25 years, that it is much harder to call the turn when it comes at the bottom.

After a long bear market the discrepancy between the average price and what may be assumed as the line of values of the great natural advantages and the value of money, is easily apparent. But after a long advance, many stocks are selling on the hopes and possibilities but some are going well within proved value. Any may have possibilities by no means discounted. The market, moreover, perhaps because of the complexity and the great size, and more truly because of the stability of the general prosperity predicted by the barometer, may hold within a relatively small distance from the top for an indefinite time. It might indeed be said that there are instances in the recent year with a range not far from the top, before an aggressive bear market has been established.

It can hardly be said that the averages at the moment look convincingly bullish, and a relatively small change in both of them would make them look decidedly bearish. The fluctuations at present are at least strikingly like those which have occurred in the past at the top of a long bull movement.

The Wall Street Journal: February 22, 1926

THEORETICAL PRICE CYCLES

Students of the Dow-Jones averages sometimes ask why longer periods would not be equally deducible from the price record? They suggest that a bear market would surely be inferred from the chart of the twenty active Railroad stocks. If we are to ignore obviously major movements in that way it would be possible to describe a bull movement in the Industrials lasting from 1897 to 1919. None of the low points made in those years reached the 1897 level, and the 1897 level was the top up to the present bull movement of the Industrials.

To that criticism the answer is that such long periods would be useless for any purpose of forecast. It might almost be said that a bull movement on the United States set in more than a hundred years ago, and that it is still in progress with secondary reactions, like that in the hungry nineties, or between the panic of 1873 and the bottom of 1879. It is only to say that a country with great natural advantages and an active citizenship has been able to grow under the assured safety of life and property. There would be no barometrical inference to be drawn, although if there had been a stock market barometer for the health of our nation's story it would in all human probability have consistently predicted the country's growth. It is of the essence of the stockmarket barometer, constructed from the Dow-Jones averages, that it predicts the useful variations in business, the three-year advance, the twelve months' reaction and the two-year recovery. There is no sense in using a telescope for the things which are right under our feet. Over long periods of years the averages will precede, with an irregular certainties, the upward trend of the line of values.

Of these long movements, one of the most significant is the great decline in the Railroad average from 1909, right through the independent bull movement in the Industrials following the peace, to 1921. There we had the crippling influence of uninitiated legislation and overregulation. It was a warning that the richest country might not go on prospering forever, if fool politicians had their way. There has been a recovery, largely stimulated by the plain lesson of our great experiment in government ownership of the railroads. For the past four years our transportation system has been coming back, but it is still true that railroad credit is not what it was from 1879 to 1897, and it could not have been if the railroads were not the target for the demagogues.

Our major movements, reflected in the Industrials, would be possible to describe as years for a bull market and of something over one year for bear markets, are long enough to be representative and sufficiently broad. The function of the averages is not to record history but to reflect coming events, and every opportunity now occurs to test this theory. As the poet says, they cast their shadows before.

The Wall Street Journal: March 4, 1920

TESTING THE STOCK MARKET

When the average decline of twenty industrial stocks in two trading days amounts to over seven points, a condition is established which rather accurately tests not merely the strength of the bull account but the sincerity and constancy of the long bull market. A decline so severe on the average is caused by exceptional weakness in part

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digested pool stocks, and in such a slump holds are unlocking funds which there is a certain market at some price in order to protect themselves in issues where the market has practically disappeared.

There is a fairly uniform rally from such a market depression. The decline tends to overrun itself, and there is usually a recovery which, as history over the past quarter of a century shows, frequently runs to as much as 60 per cent. of the decline. During this recovery strong interests who supported the market to help out weak holders distribute the stock they were compelled to purchase. The future course of the market turns on its ability to absorb this stock.

After this almost automatic recovery, following a semi-panic break, the market usually sells off again, slowly, day by day, and not uncommonly approaches the old low level which the first fever of selling had established. It is not true that such a breakdown need mean the end of major movements, although they have occurred at such times. The most serious on record was that which arose out of the Northern Pacific corner in May, 1901.

In that case there was a recovery such as it here described, followed by some belated liquidation, and after that a major bull movement which set in with the second election of McKinley continued; it did not culminate until eighteen months afterward in September, 1902.

Relative to the total advance in the stock market, the decline of Monday and Tuesday does not have the effect to subtractive low level like that of 1901. Buyers on the present reaction might well have the feeling that although Industrial stocks had sold more than fourteen points below the high figure of the averages, that figure was still above all records. The assumption of a further major advance in a bull market which has been running for nearly two and a half years would indicate a degree of optimism which the general business of the country might not ultimately justify.

There is an old fallacy in logic, that of "post hoc ergo propter hoc," which will persist on the market with the recent break in the stock market. It is more intelligent to say that
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The bull market had been carried too fast and too far, that amateur pools had become too venturesome, that bank resources tended to restriction and that the structure of speculation was resting upon a shaky base. The concentrated buying pressure was capable of upsetting it. The real test is not now, but will come when the stock which was taken over to support the market is liquidated during the next recovery.

The Wall Street Journal: March 5, 1926

SOME STOCK MARKET PSYCHOLOGY

It was pointed out in this column on March 3 that the Nickel Plate decision could not possibly be the cause for an eighteen-point decline in the industrial stocks, or even the eight-point decline in the Railroads, extending over eight consecutive days. Six days of decline had taken place before the decision was published. The news concerning that decision was the flatfooted statement in the New York American on February 27 that the decision would be on the table for March 1. Any like unfortunate guessing elsewhere, reprehensibly offered as "news." When the stock market gets itself on the front page, managing editors call for spectacular reasons. Their caption writers would not know what to do with psychological and mathematical causative factors.

The Wall Street Journal: March 5, 1926

THE PRICE MOVEMENT

In a study in the price movement published in these columns February 15, the beginning of a week in which both the railroad and the industrial averages came within 50 points of the highest figures in the recent bull market, this paragraph occurs:

"It can hardly be said that the averages at the moment look convincingly bullish and a relatively small change in both of them would make them look decidedly bearish. The fluctuations at present are at least strikingly like those which have occurred in the past at the top of a long bull movement."

That unpretentious analysis may be said to have been bearing largely in the market at the top, or sufficiently near it for all practical purposes. Both industrials and railroads have made the significant "double top." The former at 161.09 and the latter at 111.22 recorded two days afterwards, February 22, made the unconvincing demonstration to which the previous study had referred. The setback from that point was convincing enough. The break of March 1 and 2 was notably severe, but in these studies time is not the essential factor. In reasoning the well-defined major and secondary movements, one of the latter is equally convincing if it takes two weeks or ten.

What seems sufficiently clear is that the major tendency of the market for an indefinite time to come will be downward, with typical secondary rallies always observable in a bear market, and usually highly deceptive in its earlier stages. There is no rule about it, but such movements have repeated themselves in a period as short as eight months, while there is at least one bear market on record, that which preceded the Great War, where considerably over two years was consumed in the decline. Like many of the events arising out of the war that was an exception, for we are not likely to have a bear market which has to stand the liquidation of practically all the European holdings of American stocks. Once out of indications of the averages, 1926 will be a bear year, while the immediate outlook is for a secondary rally in a bear market. It would be better to hold self-control of these studies in the price movement to consider reasons why the stock market should decline. It is sufficient to say that eventually every depression is explained by subsequent developments in the businesses of the country.

BARRON'S: March 29, 1926

A TEST OF DOW'S THEORY

When sensible people discuss methods of reading the stock market, either as a guide to its own future course or as a barometer of general business, they do not ask whether such methods conform to the strictest rule of formal logic. They take a view decidedly in line with the ethical axiom of William James. They ask if the method will work. They do not expect impossibilities, and they are, like the late Professor James, entirely prepared to discard any hypothesis when it is proved false, a doctrine of infinite probability. This is a superficial effect which soon wears off. When BARRON'S says
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some time in the future that the market has turned for a major upward movement the man who resented its correctness on the decline needs only to make one or two fortunate purchases to tell all and the publication has been. It is all in the day's work; no publication should fail in its duty of interpreting the meaning of news, merely because the results of its reasoning will dash the sanguine anticipations of some of its readers.

It is relatively easy for a newspaper to buy circulation if it is willing to put up the price. The real difficulty comes in keeping the subscriber, and nothing will do that except a policy which comports with the public's interest. This was not difficult to see, before the stock market turned in the middle of February, that a relatively large number of pools were grossly over-exploiting the "holding company" idea, calculating upon unloading at an uninformed public at extravagant prices which could only be justified only by a phenomenal development of sustained prosperity. Some sympathy is expressed for the members of such pools when the market subjects them to heavy losses, but at least a part of the sympathy might be reserved for the investor who has taken all their statements in good faith, to his own serious loss. It is no defence of the professional speculator who suspects such weakness and hammers the market with short sales. The bear can make money only if somebody else makes his, and his action is, to that extent, unsocial and valuable as short selling may well be in deterring a market at a point and reducing the bulls' loans.

So far as the stock market is at present concerned, its violent oscillations are over. The arc of the pendulum is contracted to a reasonable daily movement, not at present giving special indications and certainly not taking back the inferences which were drawn in these columns when the price movement was studied seven weeks ago.

DOW'S BAROMETER

Dow's theory of the stock price movement, with its major bull or bear swing, its secondary reaction or rally and its third of daily fluctuation, has an alluring attraction for intelligent speculators who want something to guide them other than mere judgment. It is true also that C. W. Barron's "Stock Market Barometer" which pointed out its larger reference to the general business of the country, and its high barometrical value in that respect. Many students of averages write to BARRON'S and The Wall Street Journal with intelligent criticism or inquiry, and it is not difficult to see the entirely human fact that they are more interested in the forecasts of market movements than of general business. A result of this is that they almost invariably expect too much of the barometer.

They seem to read into it or attempt to extract from it a particularity of detail which is not to be found, but which should not possess, in the public interest. While it is strictly true that when the market embarks upon a primary downswing, it will be accompanied by very bad, it by no means follows that the average of either group of twenty stocks, industrial or railroad, will afford a dependable guide to the condition of any given stock. The course of that stock may be against the general current, especially in dull or featureless markets where the severity of the primary movement has abated. These inquirers also are unwise when they attempt, by a theory of double tops or double bottoms, to call the turn for reactions or rallies.

It is at least debatable if Dow's theory provides anything useful of that kind, and it should not be forgotten that it stipulates for a confirmation of one average by the other. This constantly occurs at the inception of a primary movement, but is anything but consistently present when the market turns for a secondary swing. This is the plain reason for the consistent conservatism Barron's "Stock Market Barometer" makes good its title by claiming too little rather than too much. Its value as a barometer of business is thereby enhanced.

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BARRON'S: September 20, 1926

AVERAGES AND ORPHANITIS

On September 13 the Dow-Jones averages of twenty industrial stocks showed a decline of 5.19, but the fact that General Motors sold "ex" the stock dividend accounted for a deduction of 3.55 points in its average. This is admittedly something different from an equivalent break in the market, for no part of the apparent decline is traceable to any lack of confidence in these securities. The question is therefore asked why some distinction is not made? The answer lies in the unaffected simplicity of the averages. Something of value, measured by that figure has been taken forever out of the twenty industrial stocks. For whatever cause, the average price of them has depreciated. Why make a distinction when there is no real difference? The investor cannot eat his cake and have it. Indeed, one of the consequences of a long advance in proved values and speculative anticipations ought to be just such a distribution of accumulated wealth.

C. W. Barron has written recently with enlightenment and understanding of what he calls "Orphanitis" as a disease of great magnitude, and his diagnosis and the established character. Stock becomes so well distributed among widows and orphans and small holders generally that the large long term conservations are unrepresented at the point of a vice. It may think that it is strengthening its reasonable dividend by putting back earnings into the pockets of the investor for a day or two, but if has really been competing with itself, and that the new capital sunk does not begin to yield the old return. The stimulus to aggressive and forward-looking management is removed. The officers have a safe job and are taking no chances. They regard themselves as assured for life, forgetting that the stockholders may some day wake up to find that for any real earning purpose, the apparently impregnable reinveted surplus is no longer there. Moreover, the "stock market" reaction from the average is a good thing, and it would be better for the business of the country if such distributions occurred often.
unquestionable tribute to the strength of the stock market that it kept itself so well in hand.

**BARRON’S**: October 18, 1926

**THE PRICE MOVEMENT**

While the average prices of twenty industrials and twenty railroads by no means indicate the inauguration of a major bear movement, or more than the secondary reaction common in a primary bull market, there has been a change in the showing of the averages sufficiently strong to require some reading of the stock market barometer. In a major bull movement which has now lasted for three years, or from October, 1923, the high of that movement of the industrials was 166.44, made March 14, while the high point of the railroad stocks, 128.33, was recorded on September 20. Since that time there has been a somewhat wide but consistent line of distribution, within a range of approximately seven points for the industrials and a somewhat closer range for the railroads. Each average may be said to have broken through the low figures of this line, which, it should be remembered, is one at the volume of trading; large enough, indeed, to eliminate accidental influences like sensational advances in a few stocks in one of the industrial groups. Obviously a decline of seven points in a stock standing at 166 is a much less serious fluctuation than a like decline in a stock standing at 85. If the picture were in the 40's, it would have the proportions of a devastating break.

This is in accord with the attitude necessary in regarding a severe break and recovery between the middle of February and the middle of June. So far as the industrials are concerned, it is a decline of twenty-seven points. If we could ignore the factor of time, this, in former days, has almost always constituted a major bear market in itself. Neither in the spring break, regarded as a secondary reaction in a primary bull market, nor in the recovery was the fluctuation of the railroad stocks nearly so considerable. The range from the low of March 30 to the passing of the January high in June and the establishment of a new bull market level was only a conservative total fluctuation as compared with the much severer movement in the industrials.

As the averages stand today it is evident that there has been a large distribution of stock, not only in the flaky group but in the much more sober railroad group as well. The apparent investment buying of the latter has, for the present, not proved sufficient to absorb the substantial offerings and maintain the old high level. For any forecast value a considerable movement either way would be required for a logical reading of the barometer.

Re-establishment of the major bull market would call for a recovery of over eight points in the railroads and more than seventeen points in the industrials. Against this a further decline in the railroads down more than twelve points and the industrials to a figure in the neighborhood of 135, would be a point of the March low, and for a further recession of fourteen points, would make an undeniable bear signal.

On previous experience of the averages a rally which failed to reach the old high, followed by a substantial decline like that which has taken place in the recent past, would be rather definitely bearish even before the old low points in both averages at the end of March were re-established.

For the present the steam is out of the big bull market, and the speculator who followed that market up for three years, or even for five years, if we ignore the shortest major bear movement recorded in the averages, cannot complain that he has not had a long run for his money.

**BARRON’S**: November 8, 1926

**A CONTRAST IN THE AVERAGES**

Students of the Dow-Jones averages do not seem to have noticed a strikingly contradictory movement in the twenty industrials and the twenty active railroad stocks. This is in spite of the fact that with the single exception of the bull market which culminated in 1919, where the railroads through government ownership were taken out of the speculative class, the averages have always confirmed each other in the respect that their major movements up or down have been simultaneous. The contradiction is in the comparison of the movement over a much longer period than that comprised within the range of a bear or a bull market, however extended. In 1903 the railroads made a low point. The low of 1907 showed a similar recession; that of 1917 was still lower, and this was true of 1920 and 1921. It would have been true in taking the high points from the 136 of 1906, which has never since been attained. In the same eighteen years the industrial low of 1907 was not down to the figure of 1903. It was lower than that of 1917, which again was under the figure shown in 1920.

Here we see over a period of eighteen years a recession of the railroads with an advance in the industrials, which has carried for the past three years. The other day Senator Norris of Nebraska said that the railroads would always be in politics and the remedy was government ownership. It was not clear that the railroads have been dragged into politics, while the industrials have had comparative freedom from interference? In no other way to start a comparison of earning capacity and value be explained. If Congress attempts to override the Interstate Commerce Commission it is simply a function of fixing rates or valuations, the railroads are compelled to protect their stockholders. The industrial corporations, perhaps by state action, would necessarily adopt the same policy. But could anything more clearly show the tremendously damaging effect upon what might be called the key industry of the country, of perpetual political persecution, day in and day out, without rhyme or reason? What other country in the world could carry on her transportation business with any such handicap?

**BARRON’S**: January 17, 1927

**DIAGNOSING THE MARKET**

To those students of the stock market who follow the well-known Dow Theory and attach importance to the somewhat technical, but often useful idea of "double tops," the present position should be of interest. The high points of a bull market which may be said to date from October, 1923, were made on August 14 at 166.54 for the industrials and on September 3 at 154 for the railroads. On September 7 the industrials had reached and rallied again to 166.10, making a double top, while the railroads stayed at that level as late as December 18, reaching 122.48, a price from which they have since reacted. The decline in the industrial level from November 10 to October 19 was more than twenty points, followed by a rally of over sixteen points and a subsequent recession to the present level, which, at the time of writing, is substantially below the December high. As usual, the fluctuations in the railroad stocks have been much less than that in the industrials. But, roughly speaking, both averages have shown a similar trend, and each has failed to recover the old high point. This would be a signal for caution, especially after a major bull market of three years' duration distinguished for almost tranquil outlooks and high conditions are peculiar, and some strength of the railroad stocks may fairly be ascribed to the fact that the average dividend of over twenty points per year carries the bull position in a money market notably easy for the time of year. That is always a good bull argument, although it has been often enough in the past for the good old reason that easy money, in itself, proves nothing. Expanding industrial demand might stiffen the money market, and yet be a strong bear argument on stocks, even where they did not carry themselves on the dividend yield. Bankers might have more money to lend than they cared about at a time when public confidence was shaken, and industrial activity was contracting. There is no great amount of security in a proposition which so obviously cuts both ways. There is clearly a large bull account open, financed with no difficulty at all, and there is no more to indicate its desire than has been expressed in selling distribution. Such bear arguments as exist may be described as latent. What the market seems to need is more light, and the averages offer distinctly indicate caution on the imperfect diagnosis.
THE DOW THEORY

A STUDY IN THE PRICE MOVEMENT

The Wall Street Journal: April 23, 1927

At the close of the stock market on April 21 the Industrial average made a new high for the present bull market, and for all time, at 166.66, just passing the high of 166.54 made August 14, 1926. On well tested methods of reading the Dow-Jones averages this confirmation of the new high points which have been made right along by the twenty Railroad stocks is aggressively bullish in spite of the unusual duration of the upward Major movement.

The bull market, in fact, may be said to have started in October, 1923, after one of the shortest major bear movements of record. Exactly as figures would have sounded impossible, for the Industrials at least, before the war have been reached, so the reactions, the secondary movement of the Dow theory, have been severe, notably that which developed in the spring of 1926. The idea that these prices are high they cannot go higher is a false assumption which has been disproved repeatedly, to the discomfiture of speculators who said short, reactions were not experienced sympathy with the bullish sentiment prevailing at the time. Prices are high, although the Railroads are still some points below the figure recorded as far back as 1902.

A strong case might be made for assuming that the Industrials had already given the market a high point more than a month ago, because there had been two large deductions for stock adjustments, by General Motors and Woolworth, and but for the fact that these special distributions coming off at a critical moment the Industrial average would have confirmed that of the Railroads. Nevertheless the custom has been, in more than a quarter of a century's reading of the averages on Dow's well-known theory, to regard such deductions as identical with a decline in the market. The reasoning is good and seems compelling.

After all, we cannot eat our cake and have it too. We cannot have a subsequent decline off one or more of the stocks in the averages to distribute it among stockholders, in one form or another, without leaving the stock worth that much less. This matter has been found to adjust itself over a long period of years, and if once we start making exceptions we impugn the accuracy of our barometer. Nevertheless the point is long overdue for discussion like this, even if it now becomes automatically more academic than it was.

There is an inference to be drawn from the re-emphasized bullish condition. The barometer is saying that there is fair weather ahead for the business of the country. It is long overdue that the market, representing the aggregate of all that everybody knows, is months ahead of any possible business tabulation or chart. The market will register the top in good time, and when they turn downward we shall be informed, as usual, that Wall Street is "the only blue spot in the country." In the meantime the averages are saying that business is likely to maintain its volume and character for as many months ahead as the most efficient trade telescopes can see.

BARRON'S: May 30, 1927

A GLANCE AT THE AVERAGES

It is worth noting that the Dow-Jones average for the week, almost continuously, since The Wall Street Journal published its "Study in the Price Movement" April 23, reprinted in printions below, this column averaging was then read as confirming the bull point given by the railroad stocks, and the assumption, on all precedents, was that the market was due for further advance. At the time of writing this has extended to over five points in the industrial group. There is no method by which the stock market barometer can be made to indicate the extent of such an advance. Minor reactions from day to day are of no value. A secondary reaction followed by a recovery, not extending to the old high, has significance, essentially when the two averages confirm each other, and the long pullout, as cautious observers said, would be on the watch for the useful and usually dependable warning of a double top. Some general considerations are worth a moment's notice in a case like this. That condition is sometimes deceptive, if only for the reason that all signs fail in dry weather.

It was assumed in the price-movement discussion here alluded to that much of the buying on the advance had actually been for investment, if only because stocks may still be said to carry themselves on their dividend yield at the low rate for money. In this connection it may be roughly said that there are two kinds of investment, permanent and tentative.

If stock is taken out of Wall Street, as it undoubtedly has been, thereby tightening the volume of Stock Exchange brokers' loans and modifying their importance, they may easily be carried in bank loans all over the country, forming good liquid collateral to a banker, with more money than he knows how to use profitably. The danger of this is that if an accumulation of unfavorable conditions caused a check in public confidence, the first place where it would be felt would be the stock market. The stock held out of town would come back on the market in a hurry and the protective break in prices might well be severe, even if some of the selling looked as if it might be for a bear account.

The idea of that, therefore, which has been borrowing in San Francisco gives an order to sell over the wire, he cannot make his delivery good for four days, the spirit interests are not so sure the bear account. This gives a deceptive impression of a vulnerable bear account. The technical position is becoming interesting and may be much more so in the next few months.

The Wall Street Journal: July 15, 1927

A STUDY IN THE PRICE MOVEMENT

Discussing the Dow-Jones averages of stock market prices as the barometer of the market movement, and also, on past experience, an admirable guide to the general business of the country, it was pointed out on April 23 that the Railroad and Industrial averages had foretold a further advance in the long bull market, initiated in October 1923. The averages ran true to form, and both groups advanced a further six points or so.

A subsequent decline of five points in twenty Industrials and about the same in the twenty Railroad stocks, culminating June 27th. This was a typical reaction, the secondary movement in a major bull market, and was equally true to form with the previous advance. After that decline the market was inclined to mark time for a few days but soon developed strength and not merely recovered the secondary reaction but made new high points in both stocks within a day of each other. The indication, therefore, is strongly bullish on all previous experience.

If the averages had recovered most of the secondary decline from May 31 and June 1 respectively, but had not reached the old high figures and had developed another reaction, the familiar indication of "double tops" would have been clearly given and might, upon previous experience, have marked the end of one of the longest bull markets on record, with a duration now not far short of four years. As both averages went through the old tops, it seems clear that the floating supply of stocks has been absorbed at these levels, that realizing for holders who have been carrying their stock elsewhere has been successfully handled by a new set of buyers and that the technical position is one of higher levels before realizing, in any quantity, is stimulated. What the market is saying is that, as far ahead as every one can see and in this relatively, the prospect for business is good. The market would seem to have discounted unfavorable conditions like those that prevailed in the middle of the summer, in new bond issues and a disappointing outlook for one of the most important crops, corn.

Even the loose no tree ever grows to the sky, but it is nevertheless true, that the market discounts everything but the completely unexpected. It does not provide room for a major "black sheep" like the Northern Pacific corner, or an event like the Cisco earthquake, or an incident like the Northern Pacific corner, and opinions differ as to whether the Great War was foreseen, and to some extent discounted, in the long bear market before its actual outbreak. At any rate the barometer is now pointing to fair weather ahead.

BARRON'S: August 15, 1927

INFERENCES ON THE AVERAGES

It is noteworthy that when the stock market makes a sharp reaction from a very high level during a long advance
there is always some specific reason to appeal to the popular imagination, not usually found in a free-market newspaper reason. Since recording the spectacular advance, which was foreshadowed in these columns in the last "Study in the Price Movement," the stock market has experienced a typical and almost violent secondary reaction, based ostensibly on the uncertain political outlook. It is a good experience that a change of direction, or an interruption of the major movement, has usually other explanations, to supplement at least the one which appeals to the popular fancy. To put it in another way, the advantage in stocks had grown somewhat reckless, and any one of several things might have constituted the last straw. Against this it is true, as The Wall Street Journal pointed out the other day, that the market in a broad advance protects itself by a reaction to what might be called safety levels when it cannot see its way.

Just as the Mississippi floods and other flood-like developments were ignored in a rising market, so it might very well be that Wall Street would have paid small attention to Mr. Coolidge's withdrawal from the Presidential race if the condition disclosed by the stock averages had been on a sounder basis. The public tends to forget the temporary and frequent inquiries are received as to whether the present reaction marks the inauguration of a bear market or is merely a secondary reaction. The one answer is that on the well-known method of reading the stock market barometer nothing but a typical secondary movement in a major bull market has been indicated. It has been seen that a higher levels secondary movements are more severe than they were in the earlier history of the averages, with the two exceptions of the breaks which occurred on the Northern Pacific corner in 1901 and the San Francisco earthquake in 1906. The market, therefore, might develop various familiar movements. The secondary reaction might carry much further, even on the precedent of last year. The market might make a line of accumulation or distribution, as the case might be, the averages might recover to a point near the old high and break again. This last movement would have considerable significance, as it would involve "double tops" in a bull market where stocks held for the rise have been financed all over the country.

The Wall Street Journal: October 4, 1927

A STUDY IN THE PRICE MOVEMENT

Reading the Dow-Jones averages in the manner formulated a quarter of a century ago by the late Charles H. Dow, the indication is plainly bullish. It has been demonstrated by long experience that when the twenty Industrials and the twenty Railroads, after a secondary reaction, make new high points for the major movement a further advance of the whole market is indicated. This by no means involves simultaneous action by the two averages, but each must confirm the other.

It is several weeks since the Industrials made a new high point after a secondary reaction. It was not until last Tuesday that the normal balance was confirmed the other average. Indeed, if they had failed to confirm it and a new secondary reaction had set in, the indication would have been bearish and rather pointing to a change in the major movement. It would have amounted, in effect and practice, to what is known to traders as the "double top" of the price movement as a double top.

Such an indication can occur at the end of a bear market as well as at the top of a great bull market. In the autumn of 1921 one of the averages, after an unusually prolonged market decline which had lasted for approximately five years, showed itself not confirmed by the other average. It marked the turn of the market and an upward movement set in which has only been interrupted by the unusually brief major bear movement of 1929. There is no such complexity in the market now. The confirmatory action in the twenty Industrials, in crossing the old high point of August 2, may be said to regularize the stock market barometer.

It is true that irrespective of the fact that stock prices are relatively very high and have now been advancing for a full four years. Beyond offering the somewhat tenebrous reflection that no tree grows to the sky, there is no need to moralize about it. The stock market is saying, in so many words, that the business outlook is fine, that the continuance of the present advance for as far ahead as general information can calculate, assuming that Wall Street is the reservoir of all that everybody knows about everything connected with business. The assumption is fully justified and that is why the stock market averages reflect so much more than any individual can possibly know or the wealthiest combination can manipulate.

What is worth bearing in mind is that at these high levels, secondary reactions tend to be much more severe than they were when the average prices were at half the present figure. In the present major bull movement there have been at least two reactions of a true secondary character, which in extent were almost as considerable as actual major bear movements.

BARBOUR'S March 5, 1928

THE PRICE MOVEMENT

Speaking with considerable caution it may be said that the stock market averages look rather bearish so far as the Dow-Jones averages are concerned. At any rate the January 3 the Industrials made a new high of 203.35. Instead of receiving confirmation from a new high by the 20 Railroads, the average of the two cases has bearish implications. The October high of 144.82 was not regained after a ten-point rally to 145.44, and the indication therefore became adverse, suggesting that the major movement, which has lasted appreciably more than four years, one of the longest major movements in twenty years, may be complete. Further Dow-Jones averages, may have culminated.

While the failure of one of the groups to follow the other to a new high or low is strongly suggestive of a change of major trend, as has been pointed out in these studies, it is not until both averages fail to make new highs or lows that the forecast of a change of trend can be made with full confidence.

Although there has been some action at times on the downward side, the reaction has been distinctly and well marked, representing at the time of writing some ten points, more or less, in both averages. It has often been said in discussions of the price movement that duration is never indicated by the stock market barometer. Bear markets, even of a mild and humane character, as the present one promises to be, are much shorter than major upward movements. There is not the material in general business conditions for a smashdown on the scale that followed the decline like that which set in late in 1919.

What seems to be indicated is a season of uncertainty marked by protective selling, mostly of a profit-taking character, by those who bought their stocks far below the present level, or by disappointed traders finding a failure to respond to aggressive action on the bull side. The condition is somewhat characteristic of a Presidential year, following at least a reduction in business profits and an uncertain climate on political and partly industrial. Fundamental values are not affected, nor is there the slightest idea of intimating here that people should sell sound investments merely because of superficial price changes not dictated by any real decline in earning power, or deterioration in management. It might well mark time at a level not tremendously below the old high points, waiting at least for the Presidential nominations, and perhaps also the effect of such nominations on public sentiment. Wall Street is surprisingly sound in its political forecast. About the last one time that best the time was when it believed that Hughes would be elected in 1916. Everybody remembers how close the result was and that on plausibility, in thirty years was when it believed that Hughes would be elected in 1916. Everybody remembers how close the result was and that on plausibility, in thirty years was when it believed that Hughes would be elected in 1916. Everybody remembers how close the result was and that on plausibility, in thirty years was when it believed that Hughes would be elected in 1916. Everybody remembers how close the result was and that on plausibility, in thirty years was when it believed that Hughes would be elected in 1916. Everybody remembers how close the result was and that on plausibility, in thirty years was when it believed that Hughes would be elected in 1916. Everybody remembers how close the result was and that on plausibility, in thirty years was when it believed that Hughes would be elected in 1916. Everybody remembers how close the result was and that on plausibility, in thirty years was when it believed that Hughes would be elected in 1916. Everybody remembers how close the result was and that on plausibility, in thirty years was when it believed that Hughes would be elected in 1916. Everybody remembers how close the result was and that on plausibility, in thirty years was when it believed that Hughes would be elected in 1916. Everybody remembers how close the result was and that on plausibility, in thirty years was when it believed that Hughes would be elected in 1916. Everybody remembers how close the result was and that on plausibility, in thirty years was when it believed that Hughes would be elected in 1916.
THE DOW THEORY

BARRON'S: June 23, 1928

THE PRICE MOVEMENT

If Charles H. Dow were alive today—he died in November, 1902—the condition of the stock market as shown in the Dow-Jones averages was so close to what his own method, would make him decidedly thoughtful after a bull market which may be said to have been inaugurated in October, 1927, and showed its high points in May-June, 1928. When the industrials on May 14 sold at 220.88 they made a high following a corresponding figure of 147.63 for the railroads on May 9. By May 22 the industrials reacted nine points to 211.73 and the railroads eight points to 142.52. This was a typical secondary reaction in a major bull market.

But on June 2 the industrials had made a new high of 220.95, which was, however, not confirmed by a corresponding recovery in the railroads. Dow always ignored a movement of one average which was not confirmed by the other, and experience since his death has shown the wisdom of that method of checking the reading of the averages. His theory was that a double top was mandatory, and perhaps ultimately primary, importance was established when the new lows for both averages were under the low points of the preceding reaction. It is important to observe what has happened during the current month.

On June 12 the railroads were nearly thirteen point past their high of May 9 and the industrials at 202.53 had lost more than eighteen points from the unconfirmed high of June 2. There was a sharp and significant drop on two days, on June 14 the industrials had recovered eight points of their decline and the railroads less than three points. Observe again the poor support the railroads gave the industrials on the recovery. In the subsequent reaction both averages made a new low and on June 18 and 19, respectively. Dow would have called this distinctly bearish.

Early in 1926 the market had a substantial secondary reaction. It was said in these studies at that time that if this developed into a major bear movement it would be the mildest and most harmless on record. It proved to be no more than a secondary reaction, and the great advance in the market has been since that time, including the greatest activity of stocks have ever shown. But counting from June 2, the industrials would need to recover more than 19 points and the railroads 13^{1/2} points in order to re-establish the old bull market. The student of averages may draw his own conclusions.

BARRON'S: July 30, 1928

MANIPULATING THE AVERAGES

A reader of BARRON'S and THE WALL STREET JOURNAL, himself the manager of the Richmond branch office of an important brokerage house, suggests that the Dow-Jones averages have been misleading since the beginning of the year by reason of pool manipulation. He says that the pool managers know the great importance which is attached to the indications given by the averages and that they have been able to manipulate advances, especially in the industrials, with the record misleading. The theory sounds plausible, but will not hold water.

It is no light matter to manipulate both averages and to make indications of one without the other are generally disregarded. But in order to concentrate financial strength on so large an operation it is necessary to relinquish his hold upon other stocks in a market where over seven hundred have been active at different times. He cannot hold up the whole list. The selling of stocks outside the twenty in the industrial average, or a sufficient number of the twenty to make the average price materially, would bring selling all round, and the first stocks affected would be those which the pool was trying to manipulate for higher prices.

Again, it could hardly be charged that the averages have really been misleading. The high of the averages for the year was reported June 2 for the industrials and May 9 for the railroads. On the June date the rails made a substantial recovery, but failed to reach the May high. The warning was then given at least to the extent of casting doubt on the strength shown in the industrials. An analysis of the price movements made these comments on June 25 after both averages had shown significant secondary reactions with only partial rallies, and it was then pointed out that on Dow's theory a distinct warning was given which no one could afford to ignore after a major bull market which had then lasted more than four and a half years. Indeed, the indication was to use rallies may fairly be said to have justified the growing confidence in the stock market barometer. Its indications are most closely followed, and the temptations to manipulate are obviously great. It is only necessary to point out that this would be just possible if one of the averages was close to a critical point and could be pushed over to confirm an indication already given by the other.

BARRON'S: August 27, 1928

STUDY IN THE PRICE MOVEMENT

After the twenty industrial stocks in the Dow-Jones averages had touched what was then the highest of the year on June 22 at 220.96, they had a serious action which carried them down to 201.96 or 19 points. There was a simultaneous decline in the stocks of the entire market. Since then the railroads have made something of a line midway between the last high and the low point of secondary recession. The industrials made what can only be called a spectacular recovery, establishing a new high for the year and for all time. Readers, therefore, ask what are the present indications of the averages in the light of the discussion of them in these columns on June 25?

There is one fairly safe rule about reading the averages, even if it is a negative one. This is that half an indication is not necessarily better than no indication at all. The two averages must confirm each other to carry the authority which has been found so dependable in the barometer since its practical study was developed by Charles H. Dow's theories, set out in editorials of THE WALL STREET JOURNAL twenty-seven years ago. Taken alone, the new high of the industrials is not a signal on the market. The indication would become strongly bullish if the railroads advanced from their present level to a figure above the old high of 147.65, which, at the time of writing, would
mean an average advance of some six points or so.

Such a change would show that the market had experienced a strong secondary reaction in what would still be a major bull market. Although it has been active since October, 1923, if, on the other hand, the railroad stocks failed to respond to the strength of the industrial advances, the latter reacted only moderately, the half indication would be canceled and the secondary reaction would still be in force. At no time since the June and bear point preceding the secondary reaction was a strong one. Such fluctuations were to be expected in the uncertainties of a Presidential election and perhaps in a money market which had not been allowed to take its normal course. The next definite indication in the averages should be given by the railroad stocks. An increase in the volume of trading might have considerable significance at this time.

The Wall Street Journal: September 11, 1928

DOW-JONES AVERAGES FIGURED ON NEW BASIS

CHANGE IN METHOD OF COMPILETATION ELIMINATES DISTORTIONS RESULTING FROM MULTIPLICATION OF INDIVIDUAL STOCKS

Beginning with Monday, September 10, the Dow-Jones average of 20 industrial stocks is being computed upon a new basis which eliminates the occasional distortions resulting from multiplying individual stocks, and at the same time preserves the 81-year sequence of the averages.

In the past it has been the practice to compensate for stock split-ups and stock dividends of 100% or greater, by multiplying the split-up stocks. American Can, for example, was multiplied by six after the split-up in 1926, while General Electric and Sears, Roebuck were both multiplied by four after their respective split-ups. This method reflected the relative fluctuations of the averages accurately for a short time, and at the same time preserved the sequence of the averages, which caused distortions, as, for example, when one of the multiplied stocks moved counter to the general market trend. On the other hand, the old practice of making no compensation for stock dividends of less than 100% sometimes caused a serious break in the sequence, as, for example, after the 40% General Motors stock dividend.

The new method of computation is based upon a simple mathematical expedient. Instead of dividing the total of the 20 stocks and their multiples by 20, the total of the 20 stocks without any multiples will be divided by 12.7. This constant divisor is arrived at on the basis of last Saturday's closing prices, and is merely a figure which gives the same average on the new basis as on the old basis on the day before the new method is put into effect. The total of the 20 stocks on the old basis (including American Can multiplied by 6, American Car & Foundry by 2, American Tobacco by 2, General Electric by 4 and Sears-Roebuck by 4) was 4,822,375 on Saturday, which total, divided by 20, gave the Dow-Jones average of 241.11. The total of the 20 stocks without any multiples was 3,060.5. Dividing the latter total by 12.7 gives an average of 240.98, or approximately the same as on the old basis.

The constant divisor, 12.7, will be used daily and indefinitely until some stock in the list of 20 is split or reduced materially in price by a stock dividend. The constant divisor would also be changed if at any time it were decided to make a substitution on the list of 20 stocks now used in the average.

For a week or two the averages will be computed on the old basis, as well as the new, in order to determine if the new basis does not destroy the historical sequence of the averages nor result in any marked change in their significance or interpretation.

The Wall Street Journal: October 2, 1928

WHAT IS THE MARKET SAYING?

There is always a meaning in what the stock market says, even though the limitations make it difficult, and for a time impossible, to tabulate all the evidence of which it is the expression. The market is significant both for what it says and for its silence. Great general interest is being taken in the presidential election but the market says nothing about it. At the moment, lacking anything to the satisfaction of the buyers, the election of Hoover for granted. There has been curiously little betting this year, but the odds have been steady at more than two to one against Smith.

Not every market sign is favorable as students usually recognize. For two years past the stock market has tended to contract in the activity of stocks following secondary reactions and to expand in the number of popular issues when those reactions are recovered and new high in a long bull market are made. In the Industrial group, which monopolizes so much of the trading, it might be said that the front of advance is more widespread and therefore conceivably vulnerable.

But representing all that everybody knows about the business of the United States and possible foreign inferences, the confidence shown is undeniable. The market is saying that the results of the crop year are known and are highly satisfactory from the point of view of values, if not in some cases of prices. There is some indication of a decrease in unemployment and a better extension of industrial activity in spite of the somewhat mixed money situation. It may be that there has been a reduction in commercial failures indicating an absence of soft spots.

No one expects that every concern in the country will be equally prosperous at the same time. For the broad purposes of the country's business it is sufficient that the textile industry, for instance, shall show a sounder condition. Perhaps the country does not quite know where it stands in the matter of building and Wall Street is watching that condition closely. Easy money makes speculative building financed by so-called building bonds which were ready to a large extent for heavy undertakings. That was not altogether a wholesome condition and it seems to have caused some rather unsuitable production of building materials with resulting high profits leading to unsatisfactory results. Here again the credit situation has manifested itself to be able to take care of itself and it may well be that the market is looking to that large release of credit which follows the moving of the crops.

Altogether the barometric indications are fair. Indeed there has been a certain amount of unrest in the political meeting of both Democratic and Republican candidates to get Wall Street rattled, the campaign has been amusingly barren of results.

APPENDIX

In a rising stock market the advance on the average may be a point or more for days together and the move is taken for granted. No one telephones The Wall Street Journal to ask why the Industrial stocks have advanced two points. But in a major bull market which has now lasted for five years, with not a few secondary reactions, a five point decline in a single day from a price above 250 will keep the telephones busy with startled inquiries for explanations.

This is something not without a glimmer of human ingenuity. Friday's reaction because it synchronized the relating on the part of the Federal Reserve Board with the limiting of new credit and encouraging banks to carry the business of banking by lending money. An experienced trader would draw a curious inference from this by a sort of parallel. He would infer that he had unloaded and that stocks were relatively in weaker hands. Government institutions like the Federal Reserve Bank are usually wise after the event.

All kinds of reasons, bullish and bearish, might be drawn from the general business situation. If the stock market has any barometrical value it has been saying that we may expect a brisk and even booming condition of general business for some months to come. How long that improvement would continue cannot be inferred but a major bull market tends to react some months before the general business contract. Unless it be in the stock market there is no important sign of inflation anywhere. Probably the holding company device which has so overworked and perhaps the speculative builder is beginning to have troubles of his own. These are not dangerous items and are sufficiently well known.
THE DOW THEORY

Certainly the prices of grain and cotton are not inflated while commodity prices do not indicate that any large inventories are being carried unless by the manufacturer himself. Retail trade is good and distress from unemployment is at a low point. The gross revenue shows improvement, as it should at this time of year in view of the crop movement. Searching the situation through, it seems difficult to find anything more bearish than the tight money market, which however has had a damaging influence at this time of year on more than one occasion in times past. Perhaps a source of uneasiness is that the money market can be so stiff in face of the wonderful stabilizer we believed we had created in the Federal Reserve system. It was really assumed, almost throughout the long stock market rise, that money had ceased to be a factor and that even the moving of a loaf of bread over the counter at the end of last month, the crops did not stiffen credit as it so frequently had in times past.

Probably the stock market itself is its own best explanation.

BAJROWN'S: November 19, 1928

THE PRICE MOVEMENT

The Vitality of the Hoover bull market received an interesting endorsement on November 6, when the Dow-Jones railroad average reached a new high record at 148.29, surpassing by .64 of a point the previous high mark of 147.65 established on October 9.

As the Dow-Jones industrial average had already vigorously entered new high ground on November 5, this confirmation from the action of the rails under the well-known theory formulated by Charles H. Dow indicates that the fundamental bull market character of the present record-breaking stock market may be expected to continue for an indefinite further period.

During the past six months the industrial average has several times gone into new high ground without the railroad average following suit. This prolonged hesitation on the part of the rails naturally suggests the possibility that the broad bull movement of history might be approaching the distribution stage.

Now, with the railroad average in new high ground, the stock market barometer has indicated emphatically that the fundamental character of the market is still bullish.

This indication in no way controverts the ever-present possibility of a substantial technical reaction whose severity might well have relation to the rapidity of the recent advance.

The Wall Street Journal: December 8, 1928

A SENSE OF PROPORTION

When the stock market has advanced to heights undreamed of, over a period of more than four years, showing individual advances measurable in the hundreds with an average advance of over two hundred points in the Industrials of the Dow-Jones average and seventy points in the Railroads, a decline, on a weighted average of ten points in a single day may not be so formidable as it looks. Such a decline is equivalent to no more than two points at an average price of 60 and though the weight of the Industrial average makes a difference.

With this premise it can still be said that Thursday's break, or the stock market conveyed a warning. It says much for its intrinsic strength that the market did not get out of hand even with the large volume of selling. The decline in the Industrials average makes a difference.

There is nothing said here on the barometrical indication of the averages because it is altogether too soon to draw useful inferences.

The Wall Street Journal: December 12, 1928

AVERAGE PRICES

Subscribers recently, and not improperly, have asked to be satisfied of the validity of the Dow-Jones average. Are the thirty industrial stocks sufficient to reflect the character of the entire market? It is a fair question because there are nowadays so many active stocks and the advance in the average should be tested by the general list.

It is encouraging to say that in the recent sensational advance, and also in the precipitous decline of Thursday, Friday and Saturday last week, the general list confirmed the average.

From 238.14 on October 2 to 290.50 on December 1 the Industrial average advanced 52.66 points or 22 per cent. During that time the aggregate money value of stocks advanced 21 per cent. There is a striking confirmation here which can hardly be called fortuitous. The answer to students of the market's swings, is that they demonstrably constitute a dependable barometer. The change to a weighted average instead of the older and simpler method of dividing the total of 20 stocks by exactly that number seems to have worked well, showing a valuable gain in the matter of accuracy.

If the old method had been pursued the parallel with the whole market would not have been so close. The top of the average would not have been as high as it proved under the modern method and the decline would not have looked so formidable. The drop of December 6, 7 and 8 would have been 81 per cent. under the old method while it was 11½ per cent. under the new. The latter more closely represented the whole market. The decline was most severe because of the fact that the averages had advanced to figures which would have seemed wildly improbable as late as last year when a major bull market had been in operation for three years.

For many years, as the records show, such a price as 60 for the Industrials might constitute the top of the bull market. A decline of 10 points from a figure close on thirty would be therefore equivalent to a decline of 2 points at 60. Even a decline of 1 point a week in three days trading, the equivalent of last week's break, would be nothing to panic about.

Nevertheless, to the trader who is pyramiding at the top the recorded reaction is a serious matter. Every experienced Wall Street trader knows that the operator who has been on the right side of the market, getting in and out but increasing his commitments from his profits over an advance of 100 points, does not need a decline of anything like that extent to leave him worse off than when he started. He is usually found pyramiding with the top and a relatively small decline wipes him off. The conservative authorities have said that the break in the market was overdue and that a sharp check to public speculation would have considerable moral and material advantages.
THE DOW THEORY

Perhaps the best lesson to be drawn from the market movement is that it disclosed nothing in the business situation which could be truthfully called unsound.

BARRON'S: December 31, 1928
THE PRICE MOVEMENT
After a three-day decline of unusual severity, the Dow-Jones averages rallied and have now established a condition which is both suggestive and instructive. The first recovery from what can still be called only a secondary reaction in a major bull market was about 40% of the drop, notably so in the industrials. This is strictly according to precedent, and there is a practical reason why such a recovery occurs.

In a severe break there are some accounts which cannot be liquidated, for one reason or another, and these are protected. Such stock is usually sold on the ensuing rally, and a valuable test of the market is so provided. If the return of the speculative investor is equal to taking this stock and asking for more, a condition of considerable underlying strength is clearly indicated.

As illustration the prices backed and filled for a few days after the break and then developed definite further strength. This is decidedly bullish because the formation of new speculative grounds for the rise to replace those who were shaken out. Moreover, the industrial average has already advanced 1% percent beyond the previous high of 295.62, and the railroad average has recovered to within 3 1/2 points of the previous high of 182.70. If the rails follow the industrials into new high ground, this would give a definite bull point of assurance against a change in the major trend. There have been other declines as sudden and extensive as the recent break, as for instance, the Northern Pacific panic of 1901, which, however, only checked the main current of a bull movement. The particular major movement continued for eighteen months after the panic, and did not culminate until the end of 1902.

The Wall Street Journal: January 1, 1929
HOPE
How many of the reviews of 1928 and the forecasts of 1929, how much of any of them does a newspaper subscriber read? They constitute our hardy annual, a supplement to the daily newspaper well padded with advertising. As a rule the reviews are better than the forecasts and before the new year is a week old the forecasts are forgotten. They remain in the minds of the people who make them perhaps setting up a bias in the direction of making them come true, willy nilly.

What is the basis of all these forecasts, concealing that the ordinary means of information can be usefully tabulated? The acting principle behind the talakations is hope. Everybody desires that prosperity should continue and increase. A note of caution is the inviable anchor to windward but the forecasts are virtually unanimous. Pessimism is not good for circulation. The advertiser desires to see expanding business with an increased call on him. We are a childish people; we like to be told what we want to believe.

But are these forecasts really as searching as they sound? After laboring over a number of them one curious thought emerges and perhaps only in one case is it recognized distinctly by the forecaster. Nobody dug that hole, built that road, or established that little city to the north, but it was a long view. Colonel Leonard Ayres of Cleveland, speaking in November, definitely declined to commit himself to a forecast for 1929. He thought the speculative interest was so strong that the year would probably end the same as the year before. He believed the gold standard would be maintained and the new high point of the first trading day of the new year. It is seldom that an inference from the stock market barometer is so quickly verified. The intrinsic strength of the market is most remarkable.

Less than a month ago the averages, and especially the industrials, suffered a startling break, completed in three days. The normal recovery following the completion of urgent liquidation was about 40% of the decline, which, curiously enough, is exactly the ratio observed by the late Charles H. Dow thirty years ago. That was the test of what could be described as a minor rally action in a major bull market, but still one with threatening possibilities. The check, for it was no more than that, was caused by the distribution of stock which had been held out by the break but still remained to be liquidated.

Everything turned upon the appetite of new purchasers. If this had been insuficient and the averages had advanced to somewhere near the old highs, but had not crossed them and then had begun to work downwards, the indication would have been bearish, and might have foreshadowed even a definite change in the major trend. Nothing of the kind occurred, however. There was surprisingly little hesitation, and the strength over the end of the year was most noticeable. Here was another test, as some of this stock was no doubt carried over in order to avoid establishing realized profits which would be subject to income tax and surtax in the returns for 1928.

But the realising after the turn of the new year, which would have been entirely normal and had probably been expected by the professional traders, did not materialize. The reason, it now appears, is that there is still large buying power behind the market. The barometer predicts fair weather and further advances.

BARRON'S: January 7, 1929
THE PRICE MOVEMENT
In a study of the price movement published in these notes no more ago than December 31 it was said that the industrial averages had made a new high for the year. But the confirmation by the railroad stocks would give clear evidence of complete resumption of the major bull market. The twenty active railroads in the twenty active railroads in the country has advanced the new high point on the first trading day of the new year. It is seldom that an inference from the stock market barometer is so quickly verified. The intrinsic strength of the market is most remarkable.

A TEST OF VALUES
A reader suggests that a chart, consisting of the Dow-Jones averages of 30 Industrials and 20 Railroads, together with a line of dividend return for a representative number of years back and also a line based upon earning capacity, should be presented in these pages. No doubt something of that sort would be useful, although its construction is by no means so simple as this student seems to suppose. The real earnings would be modified and confused by the splitting of stock and the declaration of stock dividends, to name only two difficulties which would arise.

The Wall Street Journal: April 5, 1929
So far as the line of dividends is concerned there would be no great difficulty, allowing that the fiscal year is not the same in every case. About all that could be shown would be the percentage and the result would be a line on the chart notably different from that caused by the daily fluctuation in the average prices. Nevertheless, it might well be more useful than the weighted average of estimated earnings.
THE DOW THEORY

It would seem as if a reader could construct it for himself with no great difficulty, especially if he had the chart of the Dow-Jones averages, occasionally published in The Wall Street Journal, on his desk. He could make a rough calculation of the prices at the beginning or end of such a month as March in this and preceding years. He could divide the dividend total for the stocks in the average into the added prices of the stocks themselves. If, for instance, he found that stocks on the average were selling at 22 times their dividend return in 1929, 17 times in 1928, 11 times in 1927 and barely six times in 1924, when the bull market had been underway for only six months, he could at least infer that prices today tended to outrun values.

That is about what he would find and it recalls a simple explanation offered in Hamilton’s “Stock-Market Barometer.” It was there said that at the beginning of a major bull movement stocks are clearly selling well below the line of values as a consequence of the forced liquidation in a previous bear market. The tendency with ensuing confidence is to advance towards the line of values which is also rising, as a general rule. This is the secondary stage of a major bull movement at which stage is that in which stocks are selling above the line of values and people are buying not on present yields but on future possibilities.

Here then is a sensible and conservative way of approaching the study of the present bull market, in spite of short term ups and downs, has prevailed since October 1922, following a major decline of rather over eight months. The student should ask himself if stocks are not selling well above the line of values, if people are not buying upon hope which may be at least deferred long enough to make both the heart and the pocketbook sick.

No opinion on the market is here advanced. The design is to let the reader form his own opinion in a sensible way.

BARRON’S: May 20, 1929

THE PRICE MOVEMENT

While it has not been the custom in these notes to discuss the price movement, as shown by the old barometer, the Dow-Jones stock market averages, unless there had been a definite change in trend of special significance, the demand for enlightenment on that point is so general that a separate discussion of the present position is in order. It may be said at once that there has been no indubitable reversal of a major upward trend, which has been in force since October 1923. Indeed, in the recent past, on May 4, the thirty industrial stocks made a new high point for all time.

It is also conservative to say that a fluctuation of even ten points in a day in an average price of over 300 is not equivalent to more than a third of that fluctuation if the average price were 100. To put it in another way, we may fairly expect wider fluctuations at the higher levels, and we should not give them any exaggerated significance, but rather regard them in terms of a percentage of price. From January 22 there were thirteen fluctuations, four of which were noteworthy ones in February alone, with an average extent of sixteen points.

This may well be a more significant series, coming as it does at the top of so long a movement, if only more than five years, and it is worth noting in this connection that while the industrials made their new high on May 4, the railroads on May 14 were nearly eleven points below the high of February 27, when the railroads confirmed the bull point given by the industrials. There is no need to regard this as an isolated phenomenon now set up, nor is it possible to say anything positive beyond recalling that neither singly nor taken together have the averages predicted a change in major direction.

What the industrialists have shown is an increasing vulnerability for a secondary movement, and, as secondary movements sometimes develop into major swings, there is a suggestion of caution which students of the averages should not ignore. An advance of eleven points in the railroads would be definitely bullish as a barometrical indication, even if the industrials only marked time while it was productive, unless they have not taken back the high of 327.08 recorded on May 4.

APPENDIX

The Wall Street Journal: May 21, 1929

SELF REGULATING

In a study of the price movement in the current number of Barron’s, as registered by the Dow-Jones averages, it is pointed out that in a period of less than four months the 30 Industrial stocks have had thirteen fluctuation up and down, averaging 16 points. It may be pointed out that at a price well over 300 a ten-point fluctuation, even in a single day, is about as important as the fluctuation of a single point with an average price of 30. Nevertheless the fluctuation itself is absolute and at any price means the same thing to a trader on margin.

Here it will be seen by anybody, except certain people in Washington who are willing to regulate even what they do not understand, that the stock market is self-regulating. The volume of trading is not nearly so heavy as it was before the short swings of the pendulum developed. The market itself has thinned out the mob of speculators who imagined that Wall Street was the Tom Tiddler’s ground of the children’s story, where everybody was picking up gold and silver. A 10-point fluctuation has an astonishingly sobering effect upon such people.

It will be noticed also that coincidentally with this the more spectacular fluctuations of the call money market tend to subside. Money can hardly be called cheap, but the call money market is in a new condition. It would be a thoroughly wholesome thing, and one tending to steady the barometer of business, if the Federal Reserve Board could establish a new high point in the rate of the second Reserve District. The Board itself will have to expand cuts shopping some time not later than August, if only to take care of the crop movement. If only the members of the Board were also bankers, in the real sense of the word, the wisdom of taking time by the forelock would be too obvious to need suggestion.

This is not to say that the great bull market in stocks, which definitely started in March, is over. The sharp and frequent fluctuations seem rather to indicate that speculators are groping for direction and are no means all of one mind. Everything that everybody knows about anything with even a remote bearing on finance finds its way into Wall Street, in the form of information; the stock market itself, in its fluctuations, is the great deal safer than it looks. Whatever the call money rate may be for twenty-four hours, the call loan itself is easily the safest a bank can make. There is an absolute choice of collateral and the margin is anything a lender chooses to ask.

Nobody who is paying rent and other office expenses desires a dull market. But a short spell of dullness might be an excellent thing if it persuaded people to talk about something else than stocks.

BARRON’S: July 1, 1929

THE PRICE MOVEMENT

When the Dow-Jones averages were last discussed in these columns, in the issue of 30th May, it was pointed out that thirteen fluctuations since the beginning of the year to that date, averaging sixteen points, did not convey any necessarily bearish implication, although the unusual development led to the issuing of the study of the price movement. At that time the railroad average was eleven points below the last high, and it failed to confirm, therefore, the new high point in the industrials.

Both averages have now made the highest recorded figures in their history, the railroads having recovered all their leeway. It need hardly be said that on accepted and well established rules of reading the stock market barometer this is a definitely bullish indication, carrying the implication that the great bull market which has now ruled for four months has at least six years had resumed its upward movement, with each average confirming the other. The position indeed is technically one of peculiar strength, as a little analysis shows.

It will be clearly seen that the sharp
and extended fluctuations, especially in the industry, were the stock prices amounted in effect to a distributive period not at all dissimilar to that which has occurred at lower levels when the averages have made a "bull" move. ... indicated the barometer was strongly bullish. It was confirmed by the subsequent action of the market. But since the last high, Sept. 3, there have been fluctuation of two, three, five and even 10 points, which, of course, less than a third as significant as they would have seemed 26 years ago. As present the market seems to be "finding itself." Conceivably, its next move may be dictated by the floating supply of undistributed investment trust stock.

**BARRON'S: September 29, 1929**

**THE PRICE MOVEMENT**

Those who follow the stock market barometer as shown in the Dow-Jones averages frequently err in expecting too much. The barometer does not give indications of the trend of the market as a whole, according to Charles H. Dow's theory, an indication remains in force until it is canceled by another, or re-enforced in the case of the country doing business, when the industrial average confirms the railroad average or vice versa.

Dow never contemplied an average which would have been much above par, and even when he died in November, 1902, there were scarcely a dozen industrial stocks sufficiently active every day. Indeed, for a time Western Union was actually included in that imperfect and almost tentative list. As everybody knows, the number of industrial has been expanded to 30 with no real difficulty in selection.

It follows that with an industrial average above 300 a wider flexibility is to be expected, although the principles upon which Dow reasoned are undisturbed. In his time an average would make what he called a "line," with a fluctuation up or down confined for weeks at a time within a three-point range. It was good experience, although not invariable, that when the average stood at the line the market did below it the supply of stocks in the market, or the scarcity of them as the case might be, indicated a change of level to a more attractive or a more conservative point.

But at the present high level of the industrials a wider range for this area of distribution seems to be safely assured. The last point given by the barometer was strongly bullish. It was confirmed by the subsequent action of the market. But since the last high, Sept. 3, there have been fluctuations of two, three, five and even 10 points, which, of course, less than a third as significant as they would have seemed 26 years ago. As present the market seems to be "finding itself." Conceivably, its next move may be dictated by the floating supply of undistributed investment trust stock.
THE DOW THEORY

If, however, the market broke again, after a failure to pass the old highs, and the decline carried the price of the industrials below 325.17 and the railroads below 168.26, the bearish indication would be wide and daily well represent something more than a secondary reaction, however severe. It has often been said in the studies of the price movement that the barometer never indicates duration. There was a genuine major bear market in 1923, but it lasted only eight months. One good reason for not taking the present indications too seriously is that they have all been recorded in a most unusually short space of time. The severest reaction from the high point of the year had just one month's duration. In view of the nationwide character of the speculation, this seems a dangerously short period to infer anything like complete reversal in public sentiment.

There was a striking consistency about the market movement since the high figure of September 3. There were at least four rallies in the course of the decline in the industrial indices before the definite new low point was established and each of these was weaker than the last. Dow always considered this a danger signal, but for present purposes, it has been the custom in discussing the stock market as a barometer of business to require that one average should confirm the other. Failure to agree has been found deceptive.

There are people trading in Wall Street, and many all over the country who have never seen a major bear market, as for instance, that which began in October, 1919, and lasted for two years, or that from 1912 to 1914 which predicted the Great War. If the world had then been able to interpret the signs, what is more material is that the stock market does forecast the general business of the country. The new low on the industrials was confirmed by six years of prosperity and if the stock market takes the other direction there will be contraction in business. Failure to confirm the bearish indications in their indicated only in moderate volume.

Some time ago it was said in a Wall Street Journal editorial that if the stock market down to 220.39, on November 11, the industrials confirmed the new low of the railroads made November 6, of 145.49. It did not need a further decline in the railroads on November 13 to 128.07 to emphasize the bearish indication of the averages. When that indication was first noted in these columns, in an editorial reprinted from The New York World, it was believed that the decline from 381.17 to 145.69 in the industrials and from 189.11 to 128.07 in the railroads would represent all the depression the most over-confident bull market could ever need. But the market is a law to itself, establishing its own precedents and accepting no others. It is saying that the liquidation is not completed; that it will carry further with the daily movements probably of decreasing range, as the pendulum comes to rest after violent oscillations of the recent past. At least those who look for a resurrection of the old bull market may be assured that there is not a single indication in the averages that the decline is over.

It should never be forgotten, however, that the averages do not predict the duration of a movement or the possibilities of any given stock. If the market is no longer in the condition that stocks with a good market have to be sold to protect those with no market, a stock with special qualities may easily advance against the general current. It need hardly be said that nothing of that kind is discussed here.

APPENDIX

THE PRICE MOVEMENT

A Canadian reader who is a student of the averages of the stock market prices and the method of reading them as devised by Charles H. Dow has compiled some data to show from the figures of the original 20 industrial stocks that a bear market checks at about 45% of the previous high of the bull market. It was one of those nice appreciative letters which any editorial writer loves to receive, and might have made fairly good copy but for the fact that the break in the industrial stocks of November 11, knocked the theory over the fence.

In making a new low of 220.39, on November 11, the industrials confirmed the new low of the railroads made November 6, of 145.49. It did not need a further decline in the railroads on November 13 to 128.07 to emphasize the bearish indication of the averages. When that indication was first noted in these columns, in an editorial reprinted from The New York World, it was believed that the decline from 381.17 to 145.69 in the industrials and from 189.11 to 128.07 in the railroads would represent all the depression the most over-confident bull market could ever need. But the market is a law to itself, establishing its own precedents and accepting no others. It is saying that the liquidation is not completed; that it will carry further with the daily movements probably of decreasing range, as the pendulum comes to rest after violent oscillations of the recent past. At least those who look for a resurrection of the old bull market may be assured that there is not a single indication in the averages that the decline is over.

Conditions do not seem to foreshadow anything more formidable than an arrest of the bull market and business prosperity like that in 1926.

Suggestions that the wiping out of prices will reduce the country's real purchasing power seem rather far fetched.

BARRON'S: November 18, 1929

COMING TO REST

After the violent price movements in the Stock Exchange it is altogether in the nature of things, and in accord with past experience, that the swings of the pendulum should become shorter, with a resting and waiting market for such length of time as becomes necessary to measure the various influences which govern future movements. Some line on such possibilities may be had from a glance at what really happened.

On the first break in the market, which carried the industrial stocks in the averages down some fifty points from the high of over 381, general newspapers had found that "bankers were buying in support"; but after a half-hearted rally the industrial averages declined another 130 points, reaching a figure well under 200. It can be said now, and it was said in these columns at the time, that the top was market bottom of its own accord. It was not smashed by foreign selling, for all the possible foreign stock to come out could hardly have amounted to two per cent. of the fifty million shares which came upon the market in four trading days. The Governing Committee of the Stock Exchange has not discovered any malicious short selling directed to breaking the great bull market.

Such short selling as there was could be easily explained by the orders of out-of-town holders of stock in boxes on the Pacific Coast and elsewhere, or pledged in local banks, which, of course, involved borrowings. The market was held for two to five days intervals until actual delivery could be made. A bear position would have been a support to the market, but these apparent short sales certainly were not. Floor traders.
THE DOW THEORY

no doubt, sold short and it is equally
certain that none of them went home
without evening up his book on the day.

There is some uniformity about
the extent of the decline in a major bear
market and this one, at the worst,
measured approximately 44 per cent.
of the industrial average. This is fairly
constant in the past thirty-three years
and would indicate a thorough liquidation,
although people assuming that the
old bull market is to be resumed at once
merely demonstrate that the wish is fa-
ther than the thought.

Technically the position is sound and
reassuring, and that should content
those who have the best interests of Wall
Street at heart.

The Wall Street Journal: December 10,
1929

WILLIAM PETER HAMILTON

The passing of William Peter Hamil-
ton, for more than a score of years
editor of The Wall Street Journal,
leaves a wide vacancy in the journalism
of a continent. It leaves a painful void
in the hearts of those whose good for-
tune it had been to work with or under
him, to know and feel the man’s rare
courage and singleness of purpose. Too
few men are able as he was to hold a
serene and vital confidence in right
courses through the strain of the work-
ing day, or to turn a keenly and justly
critical mind to the uses of warm per-
sonal friendship.

Few among American newspaper men
have brought to their repertorial or ed-
torial tasks an experience so ripe and
varied, superimposed upon a mind so
well fitted by natural gifts for accurate
observation. Mr. Hamilton, however,
was never content to be only a recorder
of what he saw. For him there was
always the hidden meaning, more valu-
able to the world than the bare fact;
always the logical relation of the event
to what had gone before; always the
background of human aspiration and
human failing to illuminate what might
otherwise be obscure or meaningless.

His literary style derived both color
and authority from the richness of his
mental and spiritual resources.

Mr. Hamilton’s editorials were widely
read and there is abundant evidence that
time and again they exerted a positive
and practical influence. Their appeals
to thinking men and women may per-
haps be attributed in large part to the
facility with which he brushed non-
essentials aside and went straight to the
heart of a question. This power ac-
counted also for his mastery of con-
densation; he could say so much in so
little space. But this was no mere trick
of the pen—it was part of his innate
curiosity to think with directness and
to speak with candor, wasting no time
upon trivial compromises with passing
modes of thought. His unusual intel-
lectual vigor, moreover, was suffused
and softened by a delicately apprecia-
tive humor which frequently gave unex-
pected and delightful turns to his spoken and written thought.

Born an Englishman, Mr. Hamilton
retained through his life the love of
England and the English ways his
countrymen always have, but he pos-
sessed an understanding of the Ameri-
can scene that often surprised and
enlightened his associates of American
birth. To New Yorkers his speech was
that of one who might have just left
Whitehall or Downing Street, but he re-
lated with enjoyment that his mother, on
the occasion of his last visit to her,
had said to him: "I hope, Will, that you
will refrain from using that atrocious
Yankee accent in my house."

His associates will remember of Mr.
Hamilton, in addition to the influence
of his genuineness and his gallant spirit,
a cordial helpfulness in which he never
spared himself.