

# Minor Swings of the Stock Market and Their Indications

BY

B. EDELIN



**DORRANCE & COMPANY**  
**PHILADELPHIA**

## PREFACE

guesswork indulged in by so many public traders. The charts used in this book are of the author's own invention, and the explanations given, of the daily technical positions of the market, the result of his observations and experience. The daily quotations of Baldwin Locomotive stock were taken from the records of the daily press and are believed to be correct.

## CONTENTS

---

Chapter	Page
I The Price of Securities.....	11
II Daily Technical Positions.....	17
III Manipulation.....	25
IV Scientific Stock Speculation.....	43
Tables and Notes.....	47

# MINOR SWINGS OF THE STOCK MARKET

## I

### THE PRICES OF SECURITIES

The prices of securities on the Stock Exchange represent a difference of opinion. When the main sentiment is "bullish," the market advances; when the sentiment is "bearish," the market declines. It is obvious that everybody does not share the same opinion at the same time; for if such were the case, we should indeed have a very irregular and spasmodic movement of prices instead of the orderly and elastic market with which we are acquainted. In order that one trader may buy another must be willing to sell.

What determines these movements of

## MINOR SWINGS OF

prices and why should one trade against their trend?

Because of the regularity with which these price movements occur, they are referred to as cycles and are roughly divided into three classes: major cycles lasting several years and dependent upon the general economic condition of the country and the world at large; minor cycles forming a part of the major swings and reflecting the immediate business and money conditions of the nation; and trading swings, the direct result of manipulation and timed usually to coincide with some future event or news. In this book we are concerned chiefly with the trading swings, or "minor swings" as they are herein referred to. In addition to the above-mentioned price movements we might include the daily fluctuations, a component part of the minor swing and influenced mainly by speculation.

In all these movements of the market the law of supply and demand is the chief factor

## THE STOCK MARKET

in determining the prices of securities. This law is immediately evident in the daily fluctuations of stocks, less apparent in the minor swings and even less defined as we advance towards the major economic cycles. When the demand for stocks is greater than the supply, the market advances; when the supply and demand are equal or nearly so, prices mark time and fluctuate over a narrow range; when the supply is greater than the demand, stocks decline.

Inasmuch as everyone is at liberty to study the economic conditions of the country and the financial reports of the various companies listed on the Exchange, let us consider why the majority of traders lose money in the market. Perhaps the best way to answer this question is to determine the stage of the market most difficult to apprehend. Without much effort it can readily be seen that the manipulative periods or minor swings of the market are liable to prove most disastrous to the public trader,

## MINOR SWINGS OF

for the reason that the success of such movements depends primarily upon the secrecy with which they are carried out. However, as all price movements in the market are governed by the law of supply and demand, our problem is to detect accumulation preparatory to a rise and to learn the indications of distribution, when the manipulators of a stock are trying to unload on the rest of the market.

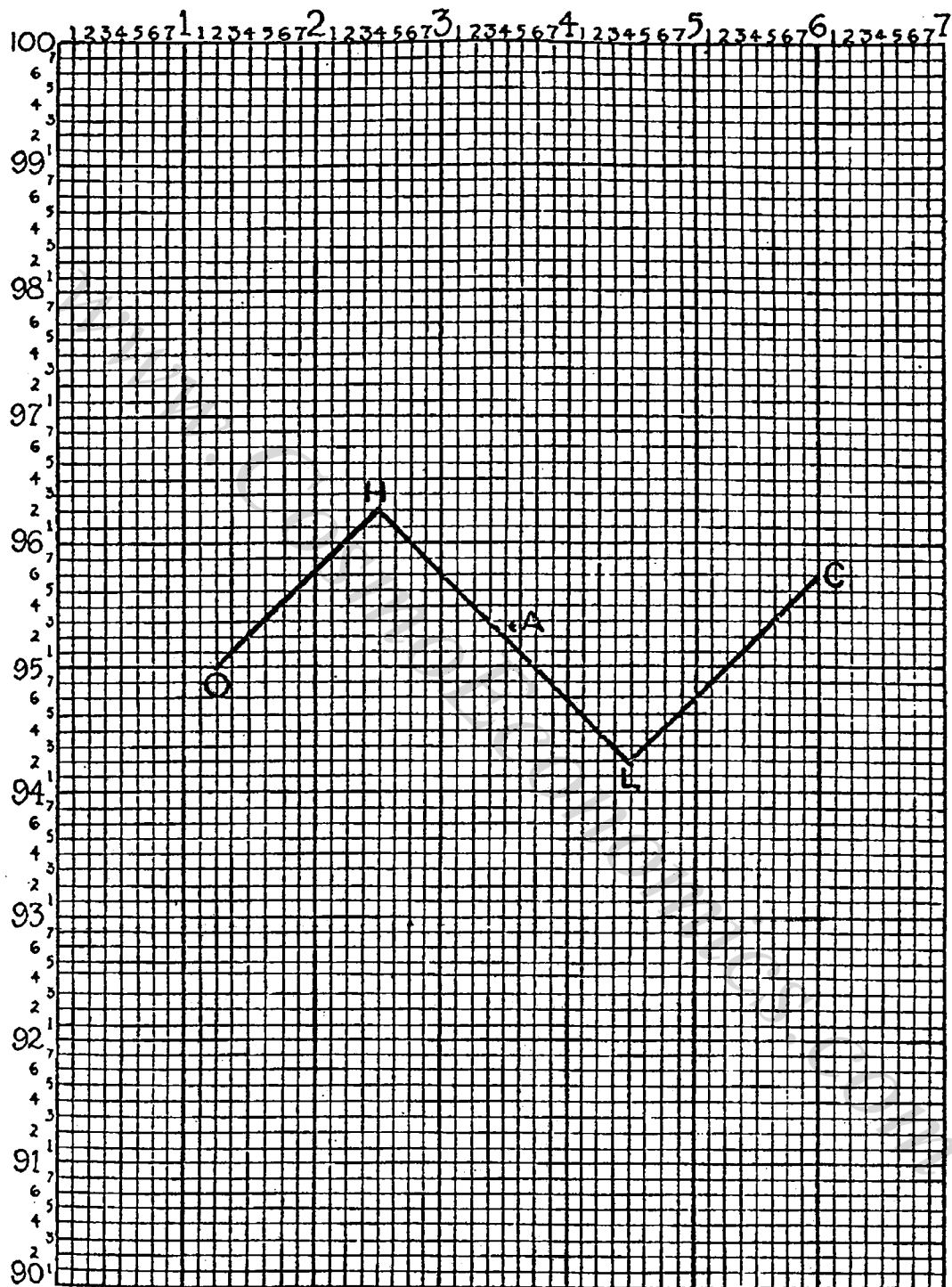


Fig.1.

## II

### DAILY TECHNICAL POSITIONS

In order to be able to anticipate the minor swings of the market, it is necessary first to understand the daily technical positions of a stock: the high, low, close and average, and the relation existing between these quotations.

When the price of a security has fluctuated between a high and low quotation during the day's trading, it is evident that the real or actual value of the stock for that day is equal to the average between the high and low price.

Advancing this theory further, it becomes evident that, if the closing quotation for the day is above the average of the high and low, the trend of the stock is upward. This may be explained in the following manner. If the market is a purely speculative one

## MINOR SWINGS OF

in which individual traders are buying and selling in accordance with their respective belief in higher or lower prices, it can readily be seen that when the close is above the average the majority of the traders are bullish, and believe the market will advance further, being willing to pay more than the average for the day, and buying near the top. In the majority of cases a stock closing above the average will open at a higher quotation the next day. Figure 1 shows graphically a stock in a strong technical position with the open, high, low, close and average represented by the letters O, H, L, C, A, respectively.

A weak close or one below the average of the high and low for the day indicates a declining market by the converse of the previous theory. Such a position is caused by a lack of support to the buying side of the market, when the offering of securities by "short" sellers and profit-taking on the part of the "long" traders cause the supply of

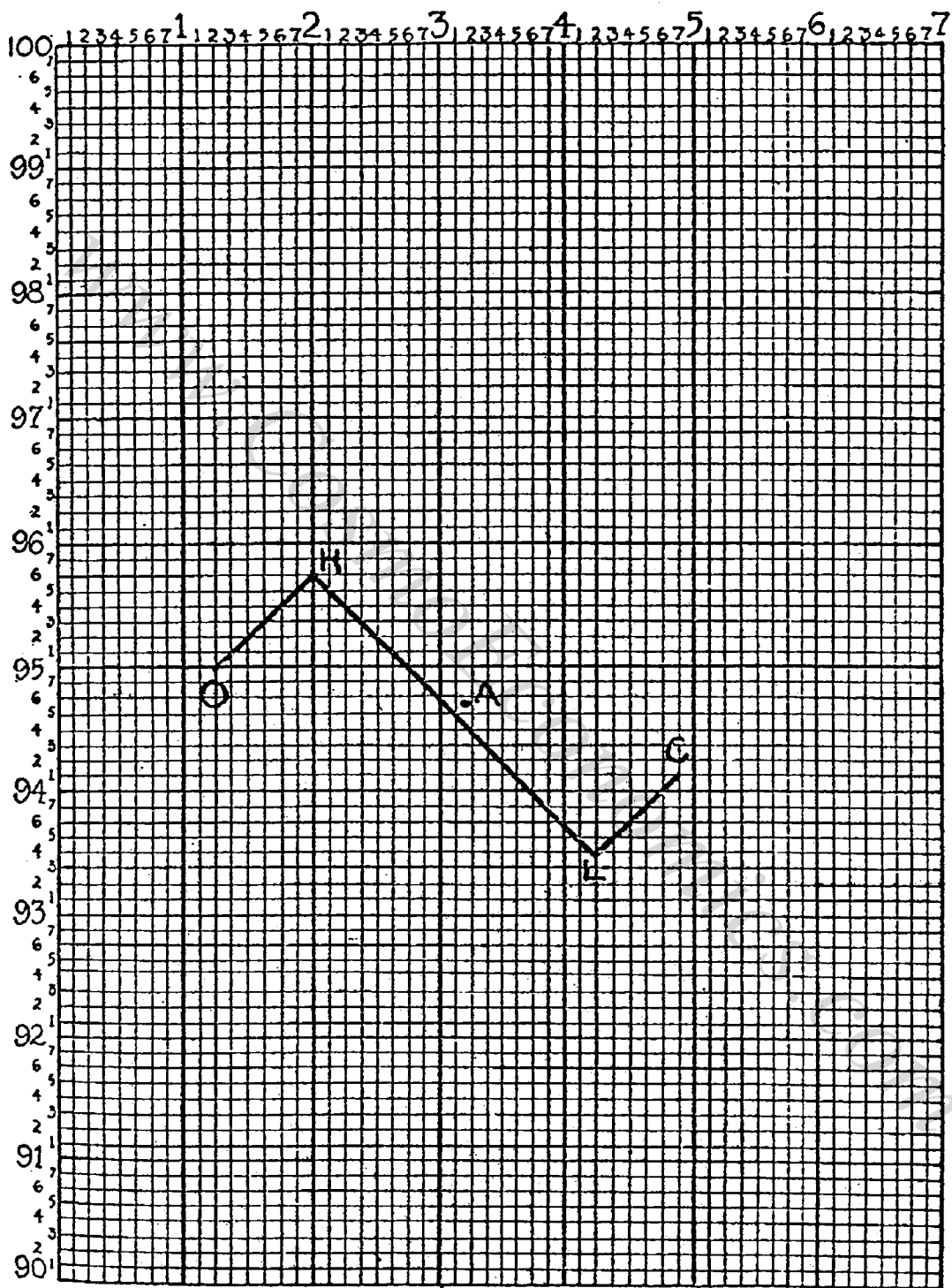


Fig. 2.