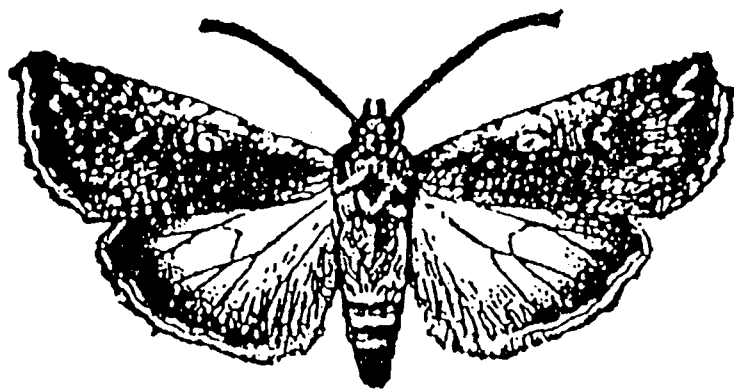


GOLD NUGGETS

- for -

STOCK AND COMMODITY TRADERS



by
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THE HOUSEWIFE goes to the store to buy various kind of necessities such as meats, sugar, bread. In other types of stores she will buy other kinds of necessities such as clothes and shoes.

The venders of these goods on the other hand have to purchase them from wholesalers in a way to take care of the demands and wishes of the community in which they operate. Farmers in the state of Maine probably have different tastes than those of Texas; thus many articles in great demand in one Texas store, for example, should prove to be shelf-warmers in Vermont or Maine stores.

The wholesalers, from whom merchants buy their goods for local distribution, also have to buy them from large factories or from big mills, slaughter houses or flour mills, shoe factories or larger growers. The actual raw products such as grains, raw cotton, raw hides, etc., are usually first assembled through growers selling them by way of an Exchange, called the Market. These markets are located in major cities. Through their assistance sellers and buyers are brought together to effect national re-distribution. In the very same way Stock Exchanges operate, only in this case it is a question of handling corporate values.

It is known that all sorts of values change their own values in the course of time. Some move upwards, others move downwards and reverse themselves after more or less extended time intervals.

In order to show two concrete examples, we know that a house in

1942 sold at \$5000. This same house in 1948 sold at \$15,000, three times more than its value in 1942. True, it's the very same house that is involved, only that it has aged six years and yet, its monetary value has increased accordingly. Those little coffee beans of Brazil have changed in retail value from 25 cents to 55 cents a pound during the same period. Such phenomena come under the heading of Laws and Economics. The changes seemingly cannot be judged ahead of time, only guessed with such tools as we have available so far. While in other sciences we can measure the thickness of a tinplate to the nth inch, the speed of our engine to the split second, etc., nothing apparently has been accomplished in the direction of the probable price movements so far. And yet, in olden times there existed wizards who had ways and means to figure out those price changes. Let's call them "mutations", but the art seems to

have been lost. Either the modern grew dumber by the hour or else they just simply shy away from the truth, not even wanting to know of it . . .

There are certain types of people who attempt to profit by those price changes. They attempt to buy when prices seem low to them and sell when they had their rise. Such things are easier said than done, any one but the most inexperienced trader knows that. Some secret must be involved in those operations which none of the scientists have been able to re-discover. Thus, they leave it go at that and mess around with crude instruments, the same way as the aborigins fashioned knives, swords, bows, etc.

There are some people who through special studies of these price changes recognize that certain repetitions do occur in the way of price change. They keep charts of price of stocks and commodities from day to day and attempt to

make deductions about what the next price tick should be, whether up or down. Some dare even to prognosticate long term trends of the price changes with more or less success, depending on how good their instruments are that should show such things. The more we delve into the secrets as to the cause of such movements, the more we must admit, they are just invisible and incomprehensible to us, because economists and forecasters try to use visible factors which consist of crop outlook reports, statistics, rainfalls, in case of commodities. In the case of stocks they use earning statements of corporations, the number of blast furnaces in operation throughout the country, the dividends paid by corporations, etc. Each and every such supposed indicator is based upon the immediate presence, the closer to it, the better. They should tell them the future price levels! But, checking their reliability with the results ob-

tained from such deductions, we find much to be desired.

What I am explaining in this short Manual should be just a "Mean-well", trying to lead you over to something much more desirable and useful. The way is hard, full of thorns and stickers, but what rose is not without thorns? The little aphid that climbs around the rose bush often times will race out towards the end of a thorn but has to retract its steps, trying to find the way up, that leads towards the real juice of the rose bush.

Some of the comparisons that had to be introduced for better understanding are somewhat rough, some of them may seem to hurt sciences of various kinds and their students. However, when the truth is involved only we don't have to worry. A doctor who tells his patients frankly that his tumor must be cut out, will hurt his patient, who don't want to be cut, but is it not to his own interest to be told?

Now let us go over into the big field and see what can be handily seen without upsetting the apple-cart too much.

Wherever we look in the economic cycles, be it in industries or in merchandising, in real estate or in stock and commodities markets, we find that over periods of time we have definite trends that lead from a low level to a high level and back to the low level again. On top we have the saturation point while on the bottom we have the desperation point. On either side we find therefore what we shall call “an extreme”. Just like one salami is connected with another, only separated by a string, so the cycles of prosperity and depressions follow by immutable precision one to the other. At periods of high prosperity it never has failed that the news tells us of a “new era”, while at the bottom of desperation everyone sees the illusory big abyss right in front. In the Bible we can read that even

in those times they were not immune of famines and of periods of great prosperity in form of herds and tents. How can we expect something different from this old world? These Ancients had mighty rough treatments then, are we any better now?

In order to discover the low era of prices in commodities or stocks, we have not far to go to recognize that. It is at a time when stocks sell for one eighth, not one or two, but hundreds of them. The better situated stocks of larger companies whose "outlook" is very bright, may at such times sell for three, four or five dollars, those who did parade between 100 and 200 not many years before. However, why we, the public do not buy them there, is caused first of all by lack of ready cash. If cash is available or on hand, then we are all afraid it might still go lower than the eighth, to nothing. But such is not the case, since we must recognize

once and for all the idea that a stock is just like a perennial plant (flower) which is different from an annual plant. The latter grows but once and dies out completely, requiring a new seeding to grow a new crop. But, with perennials, we have a death of the complete plant, except of the root system which is underground. And mind you, such deaths of perennials back to the root system occurs not only on account of frosts as it happens in the East or mid-West, but those deaths also occur with those perennials out West in California, where we are supposed to have eternal Spring. In case frosts do occur there, they are of short duration and do not cause any deep freezes. Consequently, heat or cold are not the driving force that brings death to the perennials! Apply the same idea to stocks and commodities.

This thought alone, if properly understood, must make you buy when a bunch of stocks sell at $1/8$.

There will be a time when we shall see the stocks at such levels again. By all means we must discard the idea of "new eras" of the half-wits.

Now, the period of saturation i.e. the top levels in stocks as well as in commodities are not any too hard to find either, when we make proper comparisons of other kinds of lives. An outgrown tree can live for a long while, but it surely cannot get any taller. The same with an outgrown man. A violet will never be taller than a few inches. A red hot poker will never be taller than two feet at the most. Those of 2 1/2 feet are useful for flower shows. Thus, each stock has a certain extreme height, which, when reached or even approached is a safe place to cash in on and let the others have the extra gravy, in case there should be some. If you can carry a stock from one eighth to one hundred or even only up to fifty, how much profit is there in it? Of course, I am not speaking to

hogs who are never satisfied with anything and never will be. Just for curiosity's sake go to some library and see that back in 1932 you could have bought half the stocks listed on the exchange for one eighth each, the same as in 1921 or 1907 or 1893. More about recognizing tops will be said further on, when I explain about the perfume thrown out of the flowers to attract the bees, even the bumble bees.