



## How to make money in Wall Street

**W**HAT chance do you stand in Wall Street? Stocks go up and stocks go down, and somewhere between the poles someone collects fat profits. Is it the amateur speculator?

If you are out to buck "the market," bear constantly in mind the reply of a certain noted financier who, questioned as to the secret of his success, of his knowing the right time to buy and the right time to sell, answered:

"It's easy enough. The simplest thing in the world. I merely did what the people wanted me to do. When they came excitedly clamoring and frantically bidding for stocks which I held, I accommodated them by letting them have my holdings. When they came excitedly clamoring and frantically offering for sale stock which they held, I accommodated them again by purchasing some of their holdings."

He made much money; it's doubtful whether the excitable lads who gave him his "orders" profited by the transactions.

A system equally sound is that followed by an astute farmer of the Iowa corn belt. He subscribes to no expensive statistical services, no financial newspapers or magazines and reads no "market letters" prepared by brokerage houses. His index to Wall Street is his own rural weekly newspaper. If the Wall Street situation becomes dramatic enough to attract the attention of the country editor, the farmer acts. An item in the weekly regarding acute depression in the Street moves the farming gentleman to buy an array of standard stocks for cash through his local bank. Then he places them in his vault and forgets about them.

Some time later, perhaps, the Wall Street pot begins to boil again. The clinkings of the ticker once more become so news-filled as to merit notice in the

**T**O BEGIN with, you must have knowledge and experience and patience and—most of all—capital. Most of the amateur speculators who plunge gayly into "the street," only to emerge like sad, shorn lambs, have only themselves to blame for their losses. Ignorance and Impatience are the rocks on which most of the amateurs go aground.

By M. S. RUKEYSER

country weekly. The farmer opens his vault, takes out his certificates of ownership in the country's leading industrial and railroad corporations and immediately offers them for sale at a substantial profit to himself.

Then he waits for the return of depression prices to buy back his shares—patient enough to keep his cash in the bank in the meantime. Thus he is one of the relatively few consistently successful speculators.

Curiously enough, this farmer's system is closer to that of expert managers of investment funds than the course followed by the average, gullible, city-bred lamb who thinks that Wall Street is inhabited by altruists who are bending every effort to make him rich. The lamb risks his life's savings on the suggestion of an incompetent or misinformed friend; he stacks his financial future on the hunch of a broker or on the "information" supplied by a tipster.

When your watch breaks down, you don't start monkeying around with an eye-glass and a screw driver; you take it around the corner to the local expert. But when you're juggling with

the nest egg that's in the bank against a dampish day, you probably go gayly forward into the market, ignorant, unprepared and ill-advised.

Now, if you were content to follow the conservative course of the agricultural citizen in Iowa, you might be able to draw comforting though not over-large profits from the Wall Street fires. But, unless you are quite decidedly unlike every other amateur speculator, you won't be patient, you won't be conservative, you won't be cautious.

### Bears Kill Off 97 Per Cent!

**L**ET'S assume that you have saved \$1,000 and have decided to venture into stock speculation. You wouldn't go into the thing at all if you didn't see visions of overnight, colossal profits. And so you find it impossible to resist the temptation to go heavily in debt (it doesn't look like debt to you) to purchase securities. You're not content merely to invest your \$1,000. Instead you buy on a ten-point margin—thus acquiring control of securities worth \$10,000 with your meager \$1,000.

Then if—or rather when!—your array of newly (and partly) acquired stock declines from 100 to 90 your interest in the transaction is effaced. There isn't any core, even, as the old wheeze had it. You're just out—that's all. Out of the market and out \$1,000.

On the other hand, if you buy with your \$1,000 only \$1,000 worth of good stocks instead of contracting for \$10,000 worth, yours is an entirely different status. You then become part owner of a business, and no fluctuations at the market place can disturb your position. In times of depression the quoted prices of your securities would be lower than in periods of prosperity. If you are capable of reading the financial signposts and applying skilled management to your funds, you will be able perhaps to sell at high prices in times of prosperity and buy back at bargain quotations in periods of adversity.

The trouble is that you won't be satisfied to buy so conservatively, and even if you do it's extremely unlikely that you possess the knowledge and ability so to handle your modest investment that it will return you a profit.

That's why a certain Wall Street broker who comes in contact with as many small traders as any other, isn't far wrong when he estimates that 80 per cent of the people who operate in the Street in the bull (or buying) market are lambs who make commitments without understanding values and without grasping the nature of fundamental market trends. His experience shows that 10 per cent of those who operate through his firm consistently make money by capitalizing their prevision and their talent in reading the financial signposts. Another 10 per cent, though not consistent gainers, usually manage to come out ahead.

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compiled after a study by Harvard University are even more depressing as to your chances of cleaning up in the market. The survey showed that 97 per cent of the individuals who, in a fury of emotional excitement, undertake to get rich quick through margin speculation, lose their money. Two per cent break even and 1 per cent profit.

In bull markets, when prices generally are rising, amateur traders who temporarily profit pride themselves on their rare financial acumen. They become mentally inflated and they begin to look upon themselves as economists of extraordinary wisdom. The swift downward reactions which inevitably follow sharp upward movements jolt the average speculator and help to restore his perspective. The average amateur lasts only as long as the bull market. The turnover on accounts of customers of brokers is unbelievably rapid.

The lamb is oblivious to the time element. He never fully grasps the simple truth that favorable news is of no speculative significance if it has already been anticipated. Another illusion of the amateur is that the financial skies are unchanging. He is prone to freeze the facts of the present situation into a lasting pattern and make his commitments accordingly. And yet the whole history of the market place reveals that business and speculation move unceasingly in cycles; that prosperity follows depression just as morning is the sequel to night.

Constancy in the realm of friendship is a beautiful trait, but in Wall Street speculation, ruthlessness in parting with old favorites is absolutely essential to success. The lamb is usually in a hurry to buy and is reluctant to sell. The successful speculator almost never is over-eager to buy, but sometimes finds it expedient to sell without a moment's delay.

To profit from the swings of prices it is necessary to think independently and to act instantaneously. The lamb incorrectly assumes that the shares of an outstanding successful corporation are perennially attractive. In the world of speculation, however, nothing is good or bad except in relation to price. For example, the stock of the F. W. Woolworth Company, which may have been superlatively desirable at \$100 a share, was definitely unattractive for speculative purposes at \$222 a share.

Much of the bad advice which brokers give to their customers is sincere, though mistaken. One broker advised his customers to buy Hudson Motors at 116, but failed to convince them to do so. However, he acted on his own advice, bought 300 shares which he held during the next month when the price slumped to 65.

## Don't Trust Tips

**E**VEN officers, directors and other insiders are not all wise in regard to the shares of their own corporation. One millionaire who is the largest holder in two important copper companies greatly reduced his holdings in one company and invested his funds thus released in stock of the other. Almost immediately the shares which he had sold began to rise and those which he had bought declined. Sometimes even astute financiers are uncritical toward exclusive information. Knowing this, a wise investment manager formulated the rule never to place more than 20 per cent of his total funds in securities about which he had special "information."

The lamb who enters Wall Street as an escape from drab reality recklessly believes that he can evade the laws of economics and snatch a fortune quickly out of the fires of speculation. He is greedy, desiring not a fair return on his money but a killing. Knowing this, he is subject to fear waves and is one of the readily frightened groups which periodically cause panicky selling movements on the Stock Exchange.

The big fellows sometimes get crippled, but on the average their record is better because of their superior equipment and power. Blindly following the

big fellows, however, is almost a sure highway to failure, for sometimes they create an atmosphere of prosperity in a particular stock in order to facilitate its liquidation.

For example, when Woolworth Common climbed to 190 a broker advised his mother-in-law to sell out her huge holdings of the stock and thus convert her nominal profits into cash. She followed his advice. If the broker had naively offered the huge block of stock for sale, he would have broken the price. He proceeded along more subtle lines. He formed a pool among his associates and customers and went into the open market to buy Woolworth, thus carrying the price for the first time above \$200, getting it up to a peak of \$222.

## Optimism Pays

**T**HE rise attracted the attention of ticker-tape readers all over the country. Without knowing what was going on, they climbed aboard, buying the stock which this broker gladly fed out at high prices. He thus got rid of all the pool stock at a profit and sold his mother-in-law's holdings at an average price of \$215. Luring in the lambs was a necessary part of his program.

There are, of course, external factors in the speculative environment in which the lamb grazes which heighten his prospects for loss. The bias toward bullishness or optimism has its fountains and springs deep down in human nature. Hopefulness is a creative force. Pessimism is a shriveling and destructive influence. Business energy is more productive and more venturesome at times of rising security prices than during periods of receding quotations.

Of course America is still like a youth that has not yet attained full growth, and over the long pull optimism is the only attitude that pays here. The late J. Pierpont Morgan was right when he said that you will go broke if you are a bear (or pessimist) on America. But the speculator who trades on a thin margin is in no position to wait for the long pull.

In these United States the commentator on market events can be optimistic (or bullish) and wrong and get away with it and be pessimistic (or bearish) and right and yet be subjected to intense criticism.

Not only does the lamb breathe in an atmosphere of excessive optimism but he is also by nature disinclined to prepare himself for financial storms. He fails to understand the technique of short selling, whereby skilled speculators profit through anticipating declines.

The lamb is the type of individual who mistakes market letters of brokers for the Gospel. The New York Stock Exchange exercises rigorous censorship over paid advertising of members, enforcing many taboos such as the elimination of charts, graphs and pictorial designs, but it exercises no effective control whatsoever over the fairy tales and wild conjectures which members make in market letters and in the dope flashed across the countryside over special leased telegraph wires.

Another factor which hurts the lambs is the tendency of money lenders to speculate for their own account. Sometimes there is a conflict between their interests as lenders of money and as buyers of securities.

The late Seymour Cromwell, when president of the New York Stock Exchange, the largest speculative market in the world, urged the little fellow not to speculate, but to place his meager thrift fund in the savings bank.

The man without the leisure, the special type of intelligence and the mental facility required for speculation should keep sedulously away from margin trading.

Margin speculation represents an effort to acquire a competency in a week instead of in a lifetime. It is an emotional attempt to inject the spirit of jazz in the investment world where, in the long run, only cool analysis points the way to profits.